

ALASKA RETIREMENT MANAGEMENT BOARD

ACTUARIAL COMMITTEE
September 14, 2022

STATE OF ALASKA
ALASKA RETIREMENT MANAGEMENT BOARD

ACTUARIAL COMMITTEE MEETING

September 14, 2022 – 1:00 p.m.

Atwood Conference Center, Rooms 102/104
550 W. 7th Ave., Anchorage, AK

Call In (Audio Only): 1-907-202-7104

Code: 111 618 439#

- I. Call to Order**
- II. Roll Cal**
- III. Public Meeting Notice**
- IV. A. Approval of Agenda**
B. Approval of Minutes – June 15, 2022
- V. Public / Member Participation, Communications and Appearances**
*(Three Minute Limit. Callers may need to press *6 to unmute.)*
- VI. Discussion: Inflation Outlook/Projections**
David Kershner, Buck
Paul Wood & Bill Detweiler, Gabriel Roeder Smith
- VII. FY2024 Contribution Rate Setting**
 - A. Discussion of FY2024 PERS/TRS/JRS Additional State Contributions**
Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits
David Kershner & Stephen Oates, Buck
 - B. FY2024 Contribution Review**
 - 1. Employer Contribution Rates/Amount
Action: Resolution 2022-04- FY24 PERS Contribution Rate
Action: Resolution 2022-05 - FY24 PERS RMMI Contribution Rate
Action: Resolution 2022-06- FY24 PERS ODD Contribution Rate
Action: Resolution 2022-07 - FY24 TRS Contribution Rate
Action: Resolution 2022-08 - FY24 TRS RMMI Contribution Rate
Action: Resolution 2022-09- FY24 TRS ODD Contribution Rate
Action: Resolution 2022-10 - FY24 NGNMRS Contribution Amount
 - 2. JRS Contribution
- VIII. Legislative Changes**
Stephen Oates, Buck
- IX. Changes to Actuarial Standards of Practice**
Tonya Manning & David Kershner, Buck

- X. Discussion on FY2022 Valuation Timeline**
Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits
David Kershner & Stephen Oates, Buck
Paul Wood & Bill Detweiler, Gabriel Roeder Smith

- XI. Online Actuarial Dashboards**
David Kershner, Buck

- XII. Future Meetings**
 - A. Calendar Review**
 - B. Agenda Items**
 - C. Requests / Follow-Ups**

- XIII. Public / Member Comments**

- XIV. Adjournment**

PUBLIC

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
ACTUARIAL COMMITTEE MEETING

Videoconference

MINUTES OF
June 15, 2022

Wednesday, June 15, 2022

I. CALL TO ORDER

CHAIR ALLEN HIPPLER called the meeting of the ARM Board Actuarial Committee to order at 2:00 p.m.

II. ROLL CALL

Nine trustees were present at roll call to form a quorum.

ATTENDANCE

Committee Present: Allen Hippler, *Chair*
Bob Williams
Lorne Bretz
Donald Krohn
Commissioner Lucinda Mahoney
Dennis Moen
Sandra Ryan
Michael Williams
Commissioner Paula Vrana

Committee Absent: None

Department of Revenue Staff Present:

Zachary Hanna, Chief Investment Officer
Pamela Leary, Director, Treasury Division
Scott Jones, Head of Investment Operations, Performance & Analytics
Michelle Prebula, State Investment Officer
Sam Hobbs, Accountant V
Hunter Romberg, Investment Data Analyst
Ryan Kauzlarich, Assistant Comptroller
Alysia Jones, Board Liaison
Grant Ficek, Business Analyst

IAC Members Present: Dr. William Jennings
Ruth Ryerson

Department of Administration Staff Present:

Ajay Desai, Director, Division of Retirement and Benefits
Kevin Worley, Chief Financial Officer, Division of Retirement and Benefits
Traci Walther, Accountant V
Emily Ricci, Health Care Policy Administrator, Division of Retirement and Benefits
Hans Zigmund, Deputy Commissioner, Department of Administration

ARMB Legal Counsel Present:

Benjamin Hofmeister, Assistant Attorney General, Department of Law

Others Present:

Steve Center, Callan
Paul Erlendson, Callan
David Kershner, Buck
Brett Hunter, Buck
Steve Oates, Buck
Paul Wood, Gabriel Roeder Smith
Bill Detweiler, Gabriel Roeder Smith

PUBLIC MEETING NOTICE

ALYSIA JONES confirmed that public meeting notice requirements had been met.

A. APPROVAL OF AGENDA

MR. KROHN moved to approve the agenda. MR. MOEN seconded the motion.

With no objection, the motion was approved.

B. APPROVAL OF MINUTES: March 16, 2022

MR. KROHN moved to approve the minutes of the March 16, 2022, meeting. MR. MOEN seconded the motion.

With no objection, the motion was approved.

C. APPROVAL OF PROPOSAL EVALUATION COMMITTEE MINUTES: May 2, 2022

MR. WILLIAMS moved to approve the minutes of the May 2, 2022, meeting. MS. RYAN seconded the motion.

With no objection, the motion was approved.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS & APPEARANCES – None.

ACTUARIAL REVIEW/AUDIT FINDINGS LIST UPDATE/CERTIFICATION AND ACCEPTANCE OF FY2021

A. Introduction/Actuarial Review

MR. WOOD reported on the findings from the actuarial review and the action item to approve the report provide.

B. Action Items

CHAIR HIPPLER explained the action items were to accept GRS' review and certification of the FY21 PERS, TRS, JRS, NGNMRS, and DCR Plan valuation reports and valuation reports, prepared by Buck, for PERS, TRS, JRS, NGNMRS, and DCR Plans.

MR. MOEN motioned to adopt both action items. MR. WILLIAMS seconded the motion.

A roll call vote was taken, and the motion passed unanimously.

REPLICATION AUDIT

MR. WOOD presented the replication audit and stated there was an outstanding item related to how the 415(b) limit was being treated.

MS. MAHONEY moved to accept the replication audit. MR. KROHN seconded the motion.

A roll call vote was taken, and the motion passed unanimously.

EXPERIENCE ANALYSIS

MR. KERSHNER presented a recap of the experience study.

MR. BRETZ moved to accept Resolution 2022-01 regarding the experience analysis, with the assumption and method changes contained in Proposed Option. MS. MAHONEY seconded the motion.

A roll call vote was taken, and the motion passed with 7 yeas, one pass, one nay.

COMMITTEE PERFORMANCE – SELF-ASSESSMENT - None

REVIEW COMMITTEE CHARTER – None

XI. FUTURE MEETINGS

A. Calendar Review – None

B. Agenda Items

CHAIR HIPPLER suggested updates on inflation projections being a standing item on future agendas.

C. Requests/Follow-ups - None

OTHER MATTERS TO PROPERLY COME BEFORE THE COMMITTEE – None.

PUBLIC/MEMBER COMMENTS – None.

ADJOURNMENT

There being no objection and no further business to come before the board, The meeting was adjourned at 3:42 p.m. on June 15, 2022, on a motion made by MS. RYAN and seconded by MS. MAHONEY.

ATTEST:

Corporate Secretary

Note: An outside contractor recorded the meeting and prepared the summary minutes. For in-depth discussion and more presentation details, please refer to the recording of the meeting and presentation materials on file at the ARMB office.



State of Alaska Retirement Systems

Presentation to ARMB Actuarial Committee
Inflation Projections

David Kershner, FSA, EA, MAAA, FCA

September 14, 2022

Inflation Projections

- Buck’s capital market assumptions are based on an economic scenario generating model developed by Conning and Company called GEMS[®]
- The table below shows the GEMS geometric inflation projections based on updated capital market assumptions (2022 Q2 and 2022 Q1) and the capital market assumptions that were used in the recent experience study (2021 Q1)

Time Horizon	2022 Q2	2022 Q1	2021 Q1
5 years	5.32%	4.61%	1.73%
10 years	4.06%	3.57%	1.85%
15 years	3.50%	3.13%	1.98%
20 years	3.16%	2.86%	2.03%
25 years	2.95%	2.69%	2.05%
30 years	2.81%	2.58%	2.08%





State of Alaska Retirement Systems

Presentation to ARMB Actuarial Committee

FY24-FY39 State Contribution Projections

September 14, 2022

Projection Methodology and Scenarios

- Projections are based on the June 30, 2021 valuations
- Liabilities are projected two years to June 30, 2023 assuming no gains/losses (other than expected vs. actual pension benefits paid in FY22)
- Based on preliminary June 30, 2022 asset statements, **the FY22 market return was approximately -6%**
 - this resulted in FY22 market **losses** of \$2.9B (PERS) and \$1.4B (TRS)
 - the FY22 market losses partially offset the FY21 market gains of \$3.8B (PERS) and \$1.9B (TRS)
- State contribution projections for FY24-FY39 are shown under two scenarios:
 - **Scenario 1:** with *expected* FY22 asset return of 7.38%
 - **Scenario 2:** with *actual* FY22 asset return of -6%
 - for both scenarios:
 - ❑ asset returns for all years after FY22 are 7.38%
 - ❑ 100% of the healthcare Normal Cost is deposited to the healthcare trust in FY24 and beyond
 - ❑ the June 30, 2021 valuation reports contain additional projection assumptions

Projected Figures as of June 30, 2023

Pension

(\$millions)	6/30/21 Actual	6/30/23 with FY22 Expected Return	6/30/23 with FY22 Actual Return
PERS			
Actuarial Accrued Liability*	15,420	15,881	15,895
Actuarial Value of Assets (AVA)	<u>10,467</u>	<u>11,950</u>	<u>11,234</u>
Unfunded Actuarial Accrued Liability	4,953	3,931	4,661
Funded Ratio (based on AVA)	67.9%	75.2%	70.7%
TRS			
Actuarial Accrued Liability*	7,472	7,563	7,576
Actuarial Value of Assets (AVA)	<u>5,910</u>	<u>6,564</u>	<u>6,164</u>
Unfunded Actuarial Accrued Liability	1,562	999	1,413
Funded Ratio (based on AVA)	79.1%	86.8%	81.4%

*Difference in projected 6/30/23 liabilities is due to expected vs. actual pension benefits paid in FY22.
Amounts may not add due to rounding.

Projected Figures as of June 30, 2023

Healthcare

(\$millions)	6/30/21 Actual	6/30/23 with FY22 Expected Return	6/30/23 with FY22 Actual Return
PERS			
Actuarial Accrued Liability	6,856	7,153	7,153
Actuarial Value of Assets (AVA)	<u>8,581</u>	<u>9,809</u>	<u>9,204</u>
Unfunded Actuarial Accrued Liability	(1,725)	(2,656)	(2,050)
Funded Ratio (based on AVA)	125.2%	137.1%	128.7%
TRS			
Actuarial Accrued Liability	2,440	2,561	2,561
Actuarial Value of Assets (AVA)	<u>3,268</u>	<u>3,775</u>	<u>3,547</u>
Unfunded Actuarial Accrued Liability	(828)	(1,214)	(986)
Funded Ratio (based on AVA)	133.9%	147.4%	138.5%

Amounts may not add due to rounding.

Projected Figures as of June 30, 2023

Total

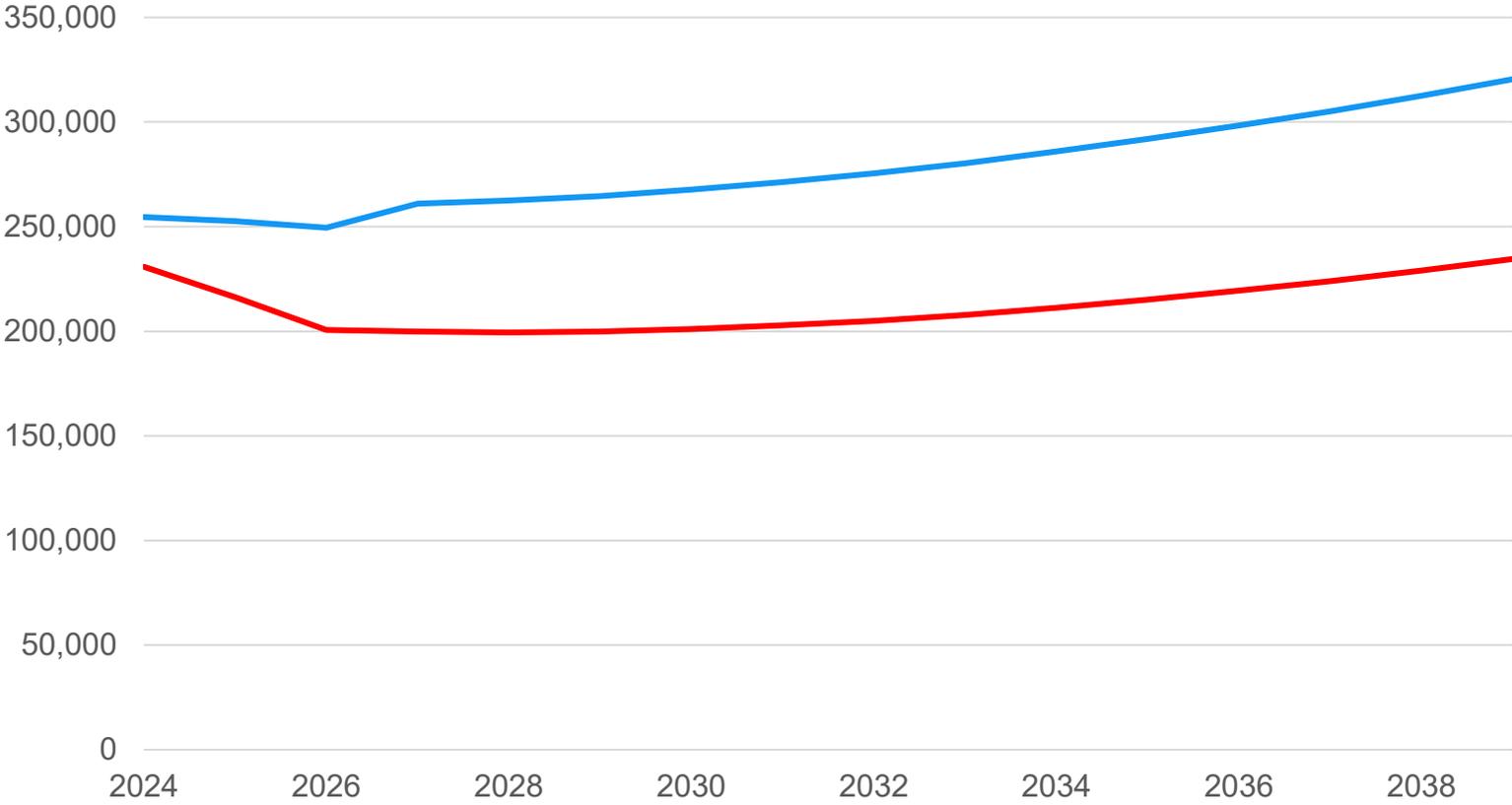
(\$millions)	6/30/21 Actual	6/30/23 with FY22 Expected Return	6/30/23 with FY22 Actual Return
PERS			
Actuarial Accrued Liability*	22,276	23,034	23,048
Actuarial Value of Assets (AVA)	<u>19,048</u>	<u>21,759</u>	<u>20,437</u>
Unfunded Actuarial Accrued Liability	3,228	1,275	2,611
Funded Ratio (based on AVA)	85.5%	94.5%	88.7%
TRS			
Actuarial Accrued Liability*	9,911	10,124	10,137
Actuarial Value of Assets (AVA)	<u>9,178</u>	<u>10,339</u>	<u>9,711</u>
Unfunded Actuarial Accrued Liability	733	(215)	427
Funded Ratio (based on AVA)	92.6%	102.1%	95.8%

*Difference in projected 6/30/23 liabilities is due to expected vs. actual pension benefits paid in FY22.
Amounts may not add due to rounding.

State Contribution Projections – PERS

State-as-an-Employer Contributions – PERS

(\$000's)

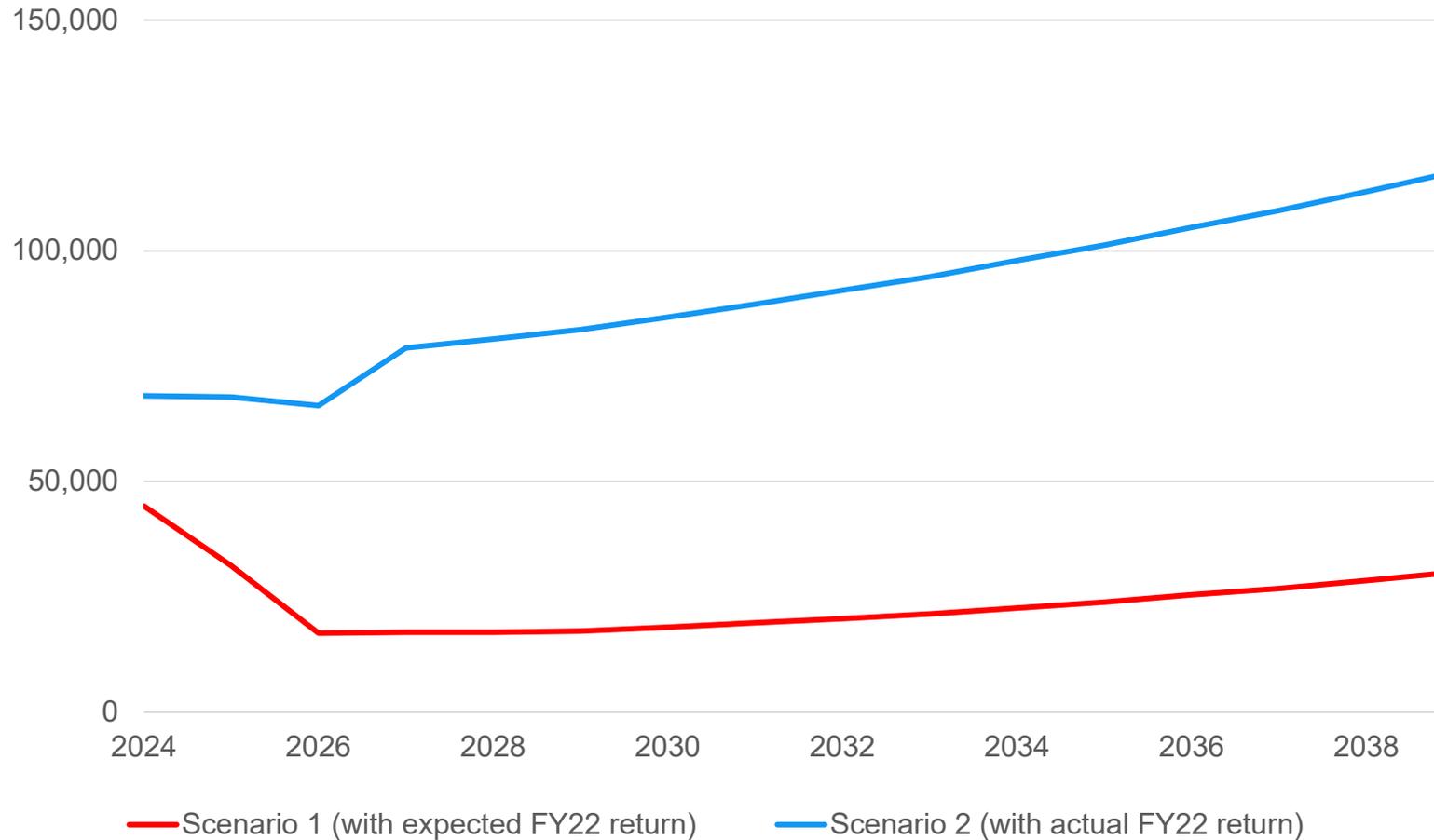


— Scenario 1 (with expected FY22 return) — Scenario 2 (with actual FY22 return)

Total projected contributions for FY24-FY39:

- Scenario 1: \$3.4B
- Scenario 2: \$4.5B
- Increase due to FY22 asset return: \$1.1B

Additional State Contributions – PERS (\$000's)



Total projected contributions for FY24-FY39:

- Scenario 1: \$0.4B
- Scenario 2: \$1.4B
- Increase due to FY22 asset return : \$1.0B

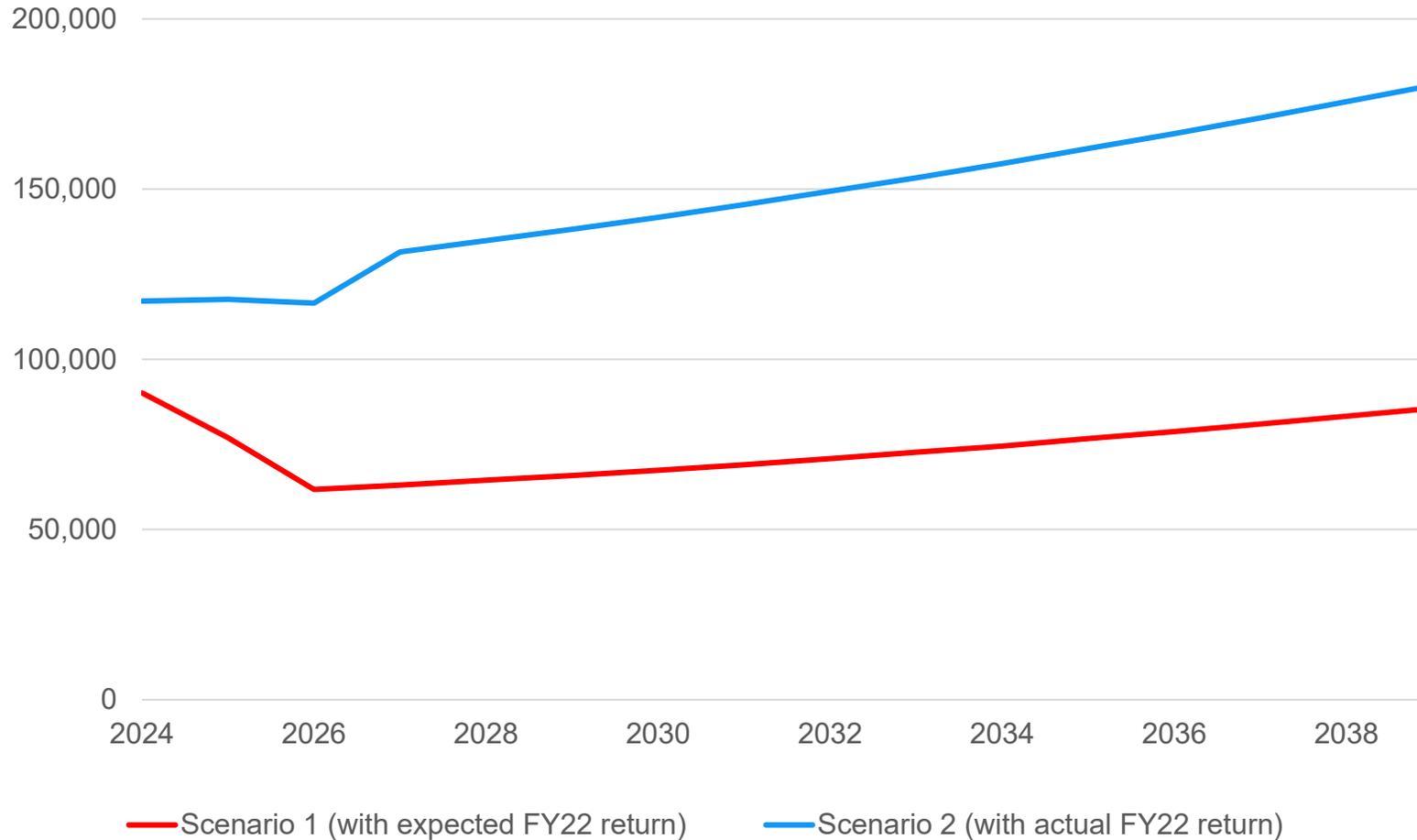
State Contribution Summary – PERS

(\$000's)

Fiscal Year	State-as-an-Employer Contributions			Additional State Contributions			Total State Contributions		
	With	With	Increase/ (Decrease)	With	With	Increase/ (Decrease)	With	With	Increase/ (Decrease)
	Expected FY22 Asset Return	Actual FY22 Asset Return		Expected FY22 Asset Return	Actual FY22 Asset Return		Expected FY22 Asset Return	Actual FY22 Asset Return	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
2024	230,844	254,511	23,667	44,673	68,540	23,867	275,517	323,051	47,534
2025	216,299	252,553	36,254	31,743	68,303	36,560	248,042	320,856	72,814
2026	200,553	249,454	48,901	17,103	66,416	49,313	217,656	315,870	98,214
2027	199,805	260,937	61,132	17,307	78,954	61,647	217,112	339,891	122,779
2028	199,443	262,451	63,008	17,294	80,834	63,540	216,737	343,285	126,548
2029	199,848	264,616	64,768	17,564	82,878	65,314	217,412	347,494	130,082
2030	201,056	267,681	66,625	18,384	85,571	67,187	219,440	353,252	133,812
2031	202,848	271,309	68,461	19,379	88,418	69,039	222,227	359,727	137,500
2032	204,935	275,466	70,531	20,283	91,409	71,126	225,218	366,875	141,657
2033	207,822	280,289	72,467	21,279	94,358	73,079	229,101	374,647	145,546
2034	211,269	285,901	74,632	22,607	97,869	75,262	233,876	383,770	149,894
2035	215,146	291,891	76,745	23,847	101,239	77,392	238,993	393,130	154,137
2036	219,465	298,407	78,942	25,439	105,047	79,608	244,904	403,454	158,550
2037	223,888	305,095	81,207	26,787	108,679	81,892	250,675	413,774	163,099
2038	228,950	312,516	83,566	28,508	112,778	84,270	257,458	425,294	167,836
2039	234,494	320,502	86,008	30,300	117,034	86,734	264,794	437,536	172,742
Total	3,396,665	4,453,579	1,056,914	382,497	1,448,327	1,065,830	3,779,162	5,901,906	2,122,744

State Contribution Projections – TRS

Additional State Contributions – TRS (\$000's)



Total projected contributions for FY24-FY39:

- Scenario 1: \$1.2B
- Scenario 2: \$2.4B
- Increase due to FY22 asset return: \$1.2B

Additional State Contribution Summary – TRS

(\$000's)

Fiscal Year	Additional State Contributions		
	With Expected FY22 Asset Return	With Actual FY22 Asset Return	Increase/ (Decrease)
	(A)	(B)	(C)
2024	90,155	117,132	26,977
2025	76,956	117,629	40,673
2026	61,747	116,555	54,808
2027	63,023	131,574	68,551
2028	64,481	134,890	70,409
2029	65,898	138,223	72,325
2030	67,425	141,716	74,291
2031	69,065	145,457	76,392
2032	70,825	149,377	78,552
2033	72,724	153,333	80,609
2034	74,532	157,474	82,942
2035	76,706	161,915	85,209
2036	78,797	166,287	87,490
2037	80,991	170,876	89,885
2038	83,281	175,664	92,383
2039	85,638	180,491	94,853
Total	1,182,244	2,358,593	1,176,349

Actuarial Certification

Actuarial Certification

The purpose of this presentation is to illustrate for the ARMB Actuarial Committee the impact of FY22 asset returns on the projected PERS/TRS State contributions for FY24-FY39. The projections are based on the data, assumptions, methods and plan provisions described in the June 30, 2021 actuarial valuation reports. Preliminary June 30, 2022 asset statements were reflected in Scenario 2.

Please see the June 30, 2021 actuarial valuation reports for a detailed description of (i) Buck's projection models which are the same ones used for this presentation (ASOP 56), and (ii) risk factors related to future funding of the plans (ASOP 51).

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law.

The results were prepared under the direction of David Kershner and Steve Oates, both of whom meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. These results have been prepared in accordance with all applicable Actuarial Standards of Practice.

David Kershner
FSA, EA, MAAA, FCA
Principal, Retirement

Stephen Oates
ASA, EA, MAAA, FCA
Principal, Health



Scenario 1: **100%** of healthcare Normal Cost is deposited to healthcare trust

Scenario 2: **0%** of healthcare Normal Cost is deposited to healthcare trust

Scenario 3: **50%** of healthcare Normal Cost is deposited to healthcare trust

FY24 State Contributions	Scenario 1	Scenario 2	Scenario 3
PERS			
- Additional State Contribution	68,540,000	37,942,000	53,241,000
- State-as-an-Employer Contribution	<u>254,511,000</u>	<u>224,169,000</u>	<u>239,340,000</u>
- Total	323,051,000	262,111,000	292,581,000
TRS			
- Additional State Contribution	117,132,000	98,766,000	107,987,000
PERS/TRS Total	440,183,000	360,877,000	400,568,000

Decrease vs Scenario 1	Scenario 2	Scenario 3
PERS		
- Additional State Contribution	(30,598,000)	(15,299,000)
- State-as-an-Employer Contribution	<u>(30,342,000)</u>	<u>(15,171,000)</u>
- Total	(60,940,000)	(30,470,000)
TRS		
- Additional State Contribution	(18,366,000)	(9,145,000)
PERS/TRS Total	(79,306,000)	(39,615,000)

For Scenarios 2 and 3, the portion of the healthcare Normal Cost not contributed to the healthcare trust was added to the pension Past Service Cost in order to keep the total employer contribution at 22% (PERS non-State employers) and 12.56% (TRS).

See letter dated September 1, 2022 for additional details.

(\$000's)

	6/30/21 actual	6/30/22 projected	6/30/22 projected	6/30/23 projected	6/30/23 projected
	(A)	(B)	(C)	(D)	(E)
FY22 market return:	n/a	7.38%	-6.00%	7.38%	-6.00%
FY23 market return:	n/a	n/a	n/a	7.38%	7.38%
PERS - pension					
- AAL	15,419,975	15,673,357	15,685,956	15,881,248	15,894,777
- AVA	10,466,709	11,252,171	10,964,486	11,950,139	11,233,552
- MVA	11,912,309	12,362,862	10,816,155	12,729,487	11,068,633
- AVA funded ratio	67.9%	71.8%	69.9%	75.2%	70.7%
- MVA funded ratio	77.3%	78.9%	69.0%	80.2%	69.6%
PERS - HC					
- AAL	6,856,170	7,012,762	7,012,762	7,153,239	7,153,239
- AVA	8,581,155	9,233,294	8,980,042	9,809,356	9,203,632
- MVA	9,784,141	10,153,231	8,869,151	10,452,448	9,073,603
- AVA funded ratio	125.2%	131.7%	128.1%	137.1%	128.7%
- MVA funded ratio	142.7%	144.8%	126.5%	146.1%	126.8%
PERS - Total					
- AAL	22,276,145	22,686,119	22,698,718	23,034,487	23,048,016
- AVA	19,047,864	20,485,465	19,944,528	21,759,495	20,437,184
- MVA	21,696,450	22,516,093	19,685,306	23,181,935	20,142,236
- AVA funded ratio	85.5%	90.3%	87.9%	94.5%	88.7%
- MVA funded ratio	97.4%	99.3%	86.7%	100.6%	87.4%

	6/30/21 actual	6/30/22 projected	6/30/22 projected	6/30/23 projected	6/30/23 projected
	(A)	(B)	(C)	(D)	(E)
FY22 market return:	n/a	7.38%	-6.00%	7.38%	-6.00%
FY23 market return:	n/a	n/a	n/a	7.38%	7.38%
TRS - pension					
- AAL	7,471,887	7,526,838	7,539,454	7,562,926	7,576,473
- AVA	5,910,369	6,259,981	6,100,245	6,563,686	6,163,945
- MVA	6,731,481	6,891,180	6,026,639	7,007,573	6,079,228
- AVA funded ratio	79.1%	83.2%	80.9%	86.8%	81.4%
- MVA funded ratio	90.1%	91.6%	79.9%	92.7%	80.2%
TRS - HC					
- AAL	2,439,603	2,502,055	2,502,055	2,561,015	2,561,015
- AVA	3,267,737	3,531,298	3,437,233	3,775,187	3,546,760
- MVA	3,723,031	3,879,776	3,392,198	4,018,771	3,495,210
- AVA funded ratio	133.9%	141.1%	137.4%	147.4%	138.5%
- MVA funded ratio	152.6%	155.1%	135.6%	156.9%	136.5%
TRS - Total					
- AAL	9,911,490	10,028,893	10,041,509	10,123,941	10,137,488
- AVA	9,178,106	9,791,279	9,537,478	10,338,873	9,710,705
- MVA	10,454,512	10,770,956	9,418,837	11,026,344	9,574,438
- AVA funded ratio	92.6%	97.6%	95.0%	102.1%	95.8%
- MVA funded ratio	105.5%	107.4%	93.8%	108.9%	94.4%

Projected figures are based on the June 30, 2021 valuations and preliminary June 30, 2022 asset statements. See the June 30, 2021 valuation reports for projection assumptions.

AAL = Actuarial Accrued Liability

AVA = Actuarial Value of Assets

MVA = Market Value of Assets

Historical Healthcare Funded Ratios

	PERS based on AVA	PERS based on MVA	TRS based on AVA	TRS based on MVA
6/30/21	125.2%	142.7%	133.9%	152.6%
6/30/20	113.5%	111.0%	121.4%	118.6%
6/30/19	109.2%	108.6%	117.0%	116.3%
6/30/18	100.4%	99.4%	108.0%	106.9%
6/30/17	93.9%	91.2%	96.9%	94.2%
6/30/16	95.8%	87.0%	100.9%	91.8%
6/30/15	99.1%	95.2%	100.3%	96.7%
6/30/14	87.0%	87.0%	77.0%	77.0%
6/30/13	70.2%	72.4%	60.1%	62.2%
6/30/12	67.4%	65.8%	56.8%	55.4%
6/30/11	64.6%	65.5%	54.3%	54.9%
6/30/10	60.4%	53.9%	52.1%	46.0%
6/30/09	60.1%	50.1%	56.9%	47.5%
6/30/08	56.9%	56.3%	53.1%	52.5%
6/30/07	53.5%	59.1%	45.8%	50.6%
6/30/06	43.1%	44.7%	35.6%	37.0%

Note: Healthcare funded ratios are not available prior to 2006.

100% of HC NC contributed to HC trust in FY24+

0% of HC NC contributed to HC trust in FY24+

	PERS			TRS			PERS			TRS		
	Pen	HC	Tot	Pen	HC	Tot	Pen	HC	Tot	Pen	HC	Tot
6/30/24	71.7%	130.7%	90.1%	82.2%	141.1%	97.3%	71.6%	129.8%	89.8%	82.2%	140.4%	97.1%
6/30/25	73.0%	133.5%	91.9%	83.4%	144.5%	99.3%	73.0%	131.8%	91.4%	83.4%	143.0%	98.9%
6/30/26	71.7%	131.9%	90.6%	81.5%	143.1%	97.7%	71.7%	129.4%	89.8%	81.4%	141.0%	97.1%
6/30/27	72.5%	133.9%	91.9%	82.0%	145.8%	99.0%	72.5%	130.7%	90.9%	82.0%	143.1%	98.2%
6/30/28	73.4%	136.1%	93.4%	82.6%	148.7%	100.5%	73.4%	132.2%	92.1%	82.6%	145.4%	99.5%
6/30/29	74.4%	138.5%	95.0%	83.3%	152.0%	102.1%	74.4%	133.9%	93.5%	83.3%	148.0%	101.0%
6/30/30	75.5%	141.2%	96.7%	84.1%	155.6%	103.9%	75.5%	135.9%	95.0%	84.1%	151.1%	102.6%
6/30/31	76.7%	144.2%	98.7%	85.1%	159.7%	105.9%	76.7%	138.1%	96.7%	85.0%	154.6%	104.5%
6/30/32	78.1%	147.5%	100.8%	86.1%	164.3%	108.2%	78.1%	140.7%	98.6%	86.1%	158.6%	106.6%
6/30/33	79.8%	151.2%	103.3%	87.4%	169.5%	110.8%	79.7%	143.7%	100.8%	87.3%	163.1%	109.0%
6/30/34	81.6%	155.4%	106.1%	88.9%	175.4%	113.8%	81.6%	147.0%	103.3%	88.8%	168.2%	111.7%
6/30/35	83.8%	160.1%	109.3%	90.6%	182.0%	117.2%	83.7%	150.8%	106.2%	90.5%	174.0%	114.8%
6/30/36	86.3%	165.4%	112.9%	92.7%	189.3%	121.1%	86.3%	155.2%	109.4%	92.6%	180.6%	118.4%
6/30/37	89.3%	171.4%	117.1%	95.1%	197.7%	125.5%	89.2%	160.1%	113.2%	95.0%	188.0%	122.6%
6/30/38	92.8%	178.2%	121.9%	98.0%	207.0%	130.6%	92.8%	165.7%	117.6%	97.9%	196.3%	127.4%
6/30/39	97.0%	185.9%	127.5%	101.4%	217.5%	136.5%	96.9%	172.1%	122.7%	101.3%	205.7%	132.9%

Projected figures are based on the June 30, 2021 valuations and preliminary June 30, 2022 asset statements. See the June 30, 2021 valuation reports for projection assumptions.



State of Alaska Retirement Systems

Presentation to ARMB Actuarial Committee

Development of FY24 Additional State Contribution - TRS

September 14, 2022

Background

Background

- AS 14.25.070(a): Each employer contributes 12.56% of total base salaries
- DB and DCR salaries are based on the 6/30/21 valuation data provided to us; future salaries are estimated based on the salary increase assumptions used in the 6/30/21 valuations

(\$000's)	FY22 Payroll	FY24 Projected Payroll
TRS DB	326,551	270,617
TRS DCR	<u>423,783</u>	<u>491,467</u>
TRS DB/DCR	750,334	762,084

Background (cont'd)

- The actuarial valuations produce the two components of the Actuarially Determined Contribution
 - Normal Cost (the cost of active members' benefit accruals in the upcoming year)
 - 25-year layered amortizations of the unfunded liability
- The amounts from the valuations are projected to FY24
 - DB – Step 1
 - DCR – Steps 2-4
- In Step 5, the FY24 projected amounts are converted to a % of FY24 total pay
- In Step 6, the FY24 contribution rates from Step 5 are combined to calculate the FY24 Additional State Contribution

Summary of Steps

Summary of Steps

- **Step 1***: Calculate Projected FY24 DB Contribution Amounts (2-year roll-forward from 6/30/21)
- **Step 2***: Calculate FY22 DCR Contribution Amounts as of 6/30/21
- **Step 3**: Convert DCR Contribution Amounts from Step 2 to a % of FY22 DCR Pay
- **Step 4**: Calculate Projected FY24 DCR Contribution Amounts
- **Step 5**: Convert FY24 Contribution Amounts from Steps 1 & 4 to a % of FY24 Total Pay
- **Step 6**: Calculate FY24 Additional State Contribution

* the outputs of the 6/30/21 actuarial valuations are used in Steps 1 and 2

Step 1

Calculate Projected FY24 DB Contribution Amounts

Step 1: Calculate Projected FY24 DB Contribution Amounts (\$000's)

Projected FY24 Contribution Amount = Normal Cost + 25-Year Layered Amortizations (cannot be less than Normal Cost)

	Pension	Healthcare	Total
1) Normal Cost - Total	39,024	18,394	57,418
2) Less: Employee Contributions*	<u>(23,396)</u>	<u>0</u>	<u>(23,396)</u>
3) Normal Cost - Employer	15,628	18,394	34,022
4) 25-year Layered Amortizations	<u>125,253</u>	<u>(69,174)</u>	<u>125,253</u>
5) DB Contribution Amount [3 + 4, not less than 3]	140,881	18,394	159,275

* excludes indebtedness contributions

Step 2

Calculate FY22 DCR Contribution Amounts
as of 6/30/21

Step 2: Calculate FY22 DCR Contribution Amounts as of 6/30/21
 (\$000's)

**FY22 Contribution Amount = Normal Cost + 25-Year Layered Amortizations
 (cannot be less than Normal Cost)**

	ODD	Healthcare	Total
1) Normal Cost	340	3,470	3,810
2) 25-year Layered Amortizations	<u>(448)</u>	<u>(934)</u>	<u>(1,382)</u>
3) DCR Contribution Amount [1 + 2, not less than 1]	340	3,470	3,810

Step 3

Convert DCR Contribution Amounts
to a % of FY22 DCR Pay

Step 3: Convert DCR Contribution Amounts (Step 2) to a % of FY21 DCR Pay (\$000's)

FY24 DCR Contribution Rate = Contribution Amount / FY22 DCR Pay

	ODD	Healthcare	Total
1) 6/30/21 DCR Contribution Amount (from Step 2)	340	3,470	3,810
2) FY22 DCR Pay (from Slide 3)	423,783	423,783	423,783
3) FY24 DCR Contribution Rate (% of DCR pay) [1 / 2]	0.08%	0.82%	0.90%

Step 4

Calculate Projected FY24 DCR Contribution Amounts

Step 4: Calculate Projected FY24 DCR Contribution Amounts (\$000's)

FY24 Contribution Amount = FY24 Contribution Rate x FY24 DCR Pay

	ODD	Healthcare	DC Match*	HRA*	Total
1) FY24 DCR Contribution Rate (from Step 3)	0.08%	0.82%	7.00%	3.00%	10.90%
2) FY24 DCR Pay (from Slide 3)	491,467	491,467	491,467	491,467	491,467
3) FY24 DCR Contribution Amount [1 x 2]	393	4,030	34,403	14,744	53,570

* fixed contribution rates

Step 5

Convert FY24 DB & DCR Contribution Amounts
to a % of FY24 Total Pay

Step 5: Convert FY24 DB & DCR Contribution Amounts (Steps 1 & 4) to a % of FY24 Total Pay (\$000's)

FY24 Contribution Rate = FY24 Contribution Amount x FY24 Total Pay

	DB			DCR
	Pension	Healthcare	Total	
1) FY24 Contribution Amount (from Steps 1 & 4)	140,881	18,394	159,275	53,570
2) FY24 Total Pay (from Slide 3)	762,084	762,084	762,084	762,084
3) FY24 Contribution Rate (% of total pay) [1 / 2]	18.49%	2.41%	20.90%	7.03%

Step 6

Calculate FY24 Additional State Contribution

Step 6: Calculate FY24 Additional State Contribution (\$000's)

	Total
1) FY24 DB Contribution Rate (from Step 5)	20.90%
2) FY24 DCR Contribution Rate (from Step 5)	<u>7.03%</u>
3) FY24 DB/DCR Contribution Rate [1 + 2]	27.93%
4) Statutory Employer Contribution Rate	<u>12.56%</u>
5) FY24 Additional State Contribution Rate [3 – 4]	15.37%
6) FY24 Total Pay (from Slide 3)	762,084
7) FY24 Additional State Contribution [5 x 6]	117,132

Actuarial Certification

Actuarial Certification

The purpose of this presentation is to illustrate for the ARMB Actuarial Committee the steps involved in the calculation of the FY24 Additional State Contribution for TRS. All calculations are based on the data, assumptions, methods and plan provisions described in the June 30, 2021 actuarial valuation reports, as well as preliminary June 30, 2022 asset statements.

Please see the June 30, 2021 actuarial valuation reports for a detailed description of (i) Buck's projection models which are the same ones used for this presentation (ASOP 56), and (ii) risk factors related to future funding of the plan (ASOP 51).

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law.

The results were prepared under the direction of David Kershner and Steve Oates, both of whom meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. These results have been prepared in accordance with all applicable Actuarial Standards of Practice.

David Kershner
FSA, EA, MAAA, FCA
Principal, Retirement

Stephen Oates
ASA, EA, MAAA, FCA
Principal, Health





State of Alaska Retirement Systems

Presentation to ARMB Actuarial Committee

Development of FY24 Additional State Contribution - PERS

September 14, 2022

Background

Background

- AS 39.35.255(a): Each *non-State* employer contributes 22% of total base salaries
- AS 39.35.255(i): The *State-as-an-Employer* contributes the Actuarially Determined Contribution rates applied to total base salaries of its employees
- DB and DCR salaries are based on the 6/30/21 valuation data provided to us; future salaries are estimated based on the salary increase assumptions used in the 6/30/21 valuations

(\$000's)	State-as-an-Employer*		Non-State Employers	
	FY22 Payroll	FY24 Projected Payroll	FY22 Payroll	FY24 Projected Payroll
PERS DB	427,517	354,314	431,124	357,303
PERS DCR				
- P/F	110,023	n/a	110,951	n/a
- Others	<u>660,784</u>	n/a	<u>666,358</u>	n/a
- Total	770,807	859,376	777,309	866,626
PERS DB/DCR	1,198,324	1,213,690	1,208,433	1,223,929

* payroll of State's employees assumed to be 49.79% of total PERS payroll based on 6/30/21 valuation data

Background (cont'd)

- The actuarial valuations produce the two components of the Actuarially Determined Contribution
 - Normal Cost (the cost of active members' benefit accruals in the upcoming year)
 - 25-year layered amortizations of the unfunded liability
- The amounts from the valuations are projected to FY24
 - DB – Step 1
 - DCR – Steps 2-4
- In Step 5, the FY24 projected amounts are converted to a % of FY24 total pay
- In Step 6, the FY24 contribution rates from Step 5 are combined to calculate the FY24 Additional State Contribution

Summary of Steps

Summary of Steps

- **Step 1***: Calculate Projected FY24 DB Contribution Amounts (2-year roll-forward from 6/30/21)
- **Step 2***: Calculate FY22 DCR Contribution Amounts as of 6/30/21
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- **Step 4**: Calculate Projected FY24 DCR Contribution Amounts
- **Step 5**: Convert FY24 Contribution Amounts from Steps 1 & 4 to a % of FY24 Total Pay
- **Step 6**: Calculate FY24 Additional State Contribution

* the outputs of the 6/30/21 actuarial valuations are used in Steps 1 and 2

Step 1

Calculate Projected FY24 DB Contribution Amounts

Step 1: Calculate Projected FY24 DB Contribution Amounts (\$000's)

**Projected FY24 Contribution Amount = Normal Cost + 25-Year Layered Amortizations
(cannot be less than Normal Cost)**

	Pension	Healthcare	Total
1) Normal Cost - Total	101,319	60,964	162,283
2) Less: Employee Contributions*	<u>(49,240)</u>	<u>0</u>	<u>(49,240)</u>
3) Normal Cost - Employer	52,079	60,964	113,043
4) 25-year Layered Amortizations	<u>398,168</u>	<u>(142,049)</u>	<u>398,168</u>
5) DB Contribution Amount [3 + 4, not less than 3]	450,247	60,964	511,211

* excludes indebtedness contributions

Step 2

Calculate FY22 DCR Contribution Amounts
as of 6/30/21

Step 2: Calculate FY22 DCR Contribution Amounts as of 6/30/21 (\$000's)

**FY22 Contribution Amount = Normal Cost + 25-Year Layered Amortizations
(cannot be less than Normal Cost)**

	P/F		Others		Total
	ODD	Healthcare	ODD	Healthcare	
1) Normal Cost	1,508	1,873	3,964	13,738	21,083
2) 25-year Layered Amortizations	<u>(522)</u>	<u>(47)</u>	<u>(2,515)</u>	<u>(323)</u>	<u>(3,407)</u>
3) DCR Contribution Amount [1 + 2, not less than 1]	1,508	1,873	3,964	13,738	21,083

Step 3

Convert DCR Contribution Amounts
to % of FY22 DCR Pay

Step 3: Convert DCR Contribution Amounts (Step 2) to % of FY22 DCR Pay (\$000's)

FY24 DCR Contribution Rate = Contribution Amount / FY22 DCR Pay

	P/F		Others		Total	
	ODD	Healthcare	ODD	Healthcare	ODD	Healthcare
1) 6/30/21 DCR Contribution Amount (from Step 2)	1,508	1,873	3,964	13,738	5,472	15,611
2) FY22 DCR Pay (from Slide 3)	220,974	220,974	1,327,142	1,327,142	1,548,116	1,548,116
3) FY24 DCR Contribution Rate (% of DCR pay) [1 / 2]	0.68%	0.85%	0.30%	1.03%	0.35%	1.01%

Step 4

Calculate Projected FY24 DCR Contribution Amounts

Step 4: Calculate Projected FY24 DCR Contribution Amounts (\$000's)

FY24 Contribution Amount = FY24 Contribution Rate x FY24 DCR Pay

	ODD	Healthcare	DC Match*	HRA*	Total
1) FY24 DCR Contribution Rate (from Step 3)	0.35%	1.01%	5.00%	3.00%	9.36%
2) FY24 DCR Pay (from Slide 3)	1,726,002	1,726,002	1,726,002	1,726,002	1,726,002
3) FY24 DCR Contribution Amount [1 x 2]	6,041	17,433	86,300	51,780	161,554

* fixed contribution rates

Step 5

Convert FY24 DB & DCR Contribution Amounts
to a % of FY24 Total Pay

Step 5: Convert FY24 DB & DCR Contribution Amounts (Steps 1 & 4) to a % of FY24 Total Pay (\$000's)

FY24 Contribution Rate = FY24 Contribution Amount x FY24 Total Pay

	DB			DCR
	Pension	Healthcare	Total	
1) FY24 Contribution Amount (from Steps 1 & 4)	450,247	60,964	511,211	161,554
2) FY24 Total Pay (from Slide 3)	2,437,619	2,437,619	2,437,619	2,437,619
3) FY24 Contribution Rate (% of total pay) [1 / 2]	18.47%	2.50%	20.97%	6.63%

Step 6

Calculate FY24 Additional State Contribution

Step 6: Calculate FY24 Additional State Contribution (\$000's)

	State-as-an-Employer	Non-State Employers	Total
1) FY24 DB Contribution Rate (from Step 5)	20.97%	20.97%	20.97%
2) FY24 DCR Contribution Rate (from Step 5)	<u>6.63%</u>	<u>6.63%</u>	<u>6.63%</u>
3) FY24 DB/DCR Contribution Rate [1 + 2]	27.60%	27.60%	27.60%
4) Statutory Employer Contribution Rate	<u>27.60%</u>	<u>22.00%</u>	<u>n/a</u>
5) FY24 Additional State Contribution Rate [3 – 4]	0.00%	5.60%	n/a
6) FY24 Total Pay (from Slide 3)	1,213,690	1,223,929	2,437,619
7) FY24 Additional State Contribution [5 x 6]	0	68,540	68,540

Actuarial Certification

Actuarial Certification

The purpose of this presentation is to illustrate for the ARMB Actuarial Committee the steps involved in the calculation of the FY24 Additional State Contribution for PERS. All calculations are based on the data, assumptions, methods and plan provisions described in the June 30, 2021 actuarial valuation reports, as well as preliminary June 30, 2022 asset statements.

Please see the June 30, 2021 actuarial valuation reports for a detailed description of (i) Buck's projection models which are the same ones used for this presentation (ASOP 56), and (ii) risk factors related to future funding of the plan (ASOP 51).

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law.

The results were prepared under the direction of David Kershner and Steve Oates, both of whom meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. These results have been prepared in accordance with all applicable Actuarial Standards of Practice.

David Kershner
FSA, EA, MAAA, FCA
Principal, Retirement

Stephen Oates
ASA, EA, MAAA, FCA
Principal, Health



ALASKA RETIREMENT MANAGEMENT BOARD

Actuarial Committee

SUBJECT: History of PERS / TRS Employer
Contribution Rates
 DATE: September 14, 2022

ACTION: _____
 INFORMATION: X

Below is a history of employer contribution rates adopted by the Alaska Retirement Management Board for Fiscal Years 2015 through 2023, as well as the proposed FY 2024 contribution rates:

ARM BOARD ADOPTED RATES													
	FY15 (a)	FY15 (b)	FY16	FY17	FY18	FY19 (c)	FY20	FY21	FY22	FY23	PROPOSED FY24 (1)	PROPOSED FY24 (2)	PROPOSED FY24 (3)
Public Employees' Retirement System (PERS)													
Total Employer Contribution Rate	44.03%	31.90%	27.19%	26.14%	25.01%	27.58%	28.62%	30.85%	30.11%	24.79%	27.60%	25.10%	26.35%
- DB Employer Contribution Rate	39.85%	27.72%	22.58%	21.78%	20.38%	22.64%	23.18%	24.93%	24.01%	18.38%	20.97%	18.47%	19.72%
- DCR Employer Contribution Rate	4.18%	4.18%	4.61%	4.36%	4.63%	4.94%	5.44%	5.92%	6.10%	6.41%	6.63%	6.63%	6.63%
DCR - Retiree Medical Plan	1.66%	1.66%	1.68%	1.18%	1.03%	0.94%	1.32%	1.27%	1.07%	1.10%	1.01%	1.01%	1.01%
DCR - OD&D - All Others	0.22%	0.22%	0.22%	0.17%	0.16%	0.26%	0.26%	0.31%	0.31%	0.30%	0.30%	0.30%	0.30%
DCR - OD&D - P/F	1.06%	1.06%	1.05%	0.49%	0.43%	0.76%	0.72%	0.70%	0.68%	0.68%	0.68%	0.68%	0.68%
Teachers' Retirement System (TRS)													
Total Employer Contribution Rate	70.75%	48.69%	29.27%	28.02%	26.78%	28.90%	30.47%	30.47%	31.85%	24.62%	27.93%	25.52%	26.73%
- DB Employer Contribution Rate	66.31%	44.25%	24.48%	23.40%	21.75%	23.56%	24.62%	24.34%	25.49%	17.90%	20.90%	18.49%	19.70%
- DCR Employer Contribution Rate	4.44%	4.44%	4.79%	4.62%	5.03%	5.34%	5.85%	6.13%	6.36%	6.72%	7.03%	7.03%	7.03%
DCR - Retiree Medical Plan	2.04%	2.04%	2.04%	1.05%	0.91%	0.79%	1.09%	0.93%	0.83%	0.87%	0.82%	0.82%	0.82%
DCR - OD&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%

- (a) As noted in the June 30, 2012 actuarial valuation reports, "The Board changed the amortization method used for funding from the level percentage of payroll method to the level dollar method in June 2012, effective June 30, 2012."
- (b) During the FY 2014 legislative session, HB 385 enacted certain changes into law. In AS 37.10.220(a), item (a)(8)(B) was amended to define that "an appropriate contribution rate for liquidating the past service liability of the defined benefit retirement plan under AS 14.25.009 - 14.25.220 or the past service liability of the defined benefit retirement plan under AS 39.35.095 - 39.35.680 must be determined by a level percent of pay method based on amortization of the past service liability for a closed term of 25 years;"
 The PERS DB and TRS DB Employer Contribution Rates for FY 2015 were updated to the level percentage of pay methodology from the previously determined rates that were prepared using the level dollar methodology, and have been done so going forward.
- (c) Beginning in Fiscal Year 2019, employer contribution rates for plans which have no past service liability as determined by the actuarial valuation process will not reflect a contribution rate for liquidating past service liability under AS 37.10.220(a)(8)(B).
- (1) Proposed FY24 rates are based on Buck letter dated September 1, 2022 with liabilities rolled forward two years and assets rolled forward one year and smoothed. Portion of FY24 healthcare normal cost contributed to healthcare trust is 100%.
- (2) Proposed FY24 rates are based on Buck letter dated September 1, 2022 with liabilities rolled forward two years and assets rolled forward one year and smoothed. Portion of FY24 healthcare normal cost contributed to healthcare trust is 0%.
- (3) Proposed FY24 rates are based on Buck letter dated September 1, 2022 with liabilities rolled forward two years and assets rolled forward one year and smoothed. Portion of FY24 healthcare normal cost contributed to healthcare trust is 50%.

ALASKA RETIREMENT MANAGEMENT BOARD

Actuarial Committee

SUBJECT: FY 24 PERS Employer Contribution Rate ACTION: X
Tier I - III
DATE: September 14, 2022 INFORMATION: _____

BACKGROUND:

AS 37.10.220(a)(8) sets forth the responsibility of the Alaska Retirement Management Board (Board) to annually certify to each employer in the system contribution rates for normal costs and for liquidating any past service liability:

(8) coordinate with the retirement system administrator to have an annual actuarial valuation of each retirement system prepared to determine system assets, accrued liabilities, and funding ratios and to certify to the appropriate budgetary authority of each employer in the system

(A) an appropriate contribution rate for normal costs; and

(B) an appropriate contribution rate for liquidating any past service liability; in this subparagraph, the appropriate contribution rate for liquidating the past service liability of the defined benefit retirement plan under AS 14.25.009 - 14.25.220 or the past service liability of the defined benefit retirement plan under AS 39.35.095 - 39.35.680 must be determined by a level percent of pay method based on amortization of the past service liability for a closed term of 25 years;

AS 39.35.270 requires that the amount of each Public Employees' Retirement System (PERS) employer's contribution to the system shall be determined by applying the employer's contribution rate, as certified by the Board, to the total compensation paid to the active employee. Statutory employer contribution and additional state contribution are established under the following two sections of Alaska Statute:

Sec. 39.35.255. Contributions by employers. (a) Each employer, except as provided in (i) shall contribute to the system every payroll period an amount calculated by applying a rate of 22 percent of the greater of the total of all base salaries

(1) paid by the employer to employees who are active members of the system, including any adjustments to contributions required by AS 39.35.520; or

(2) paid by the employer to employees who were active members of the system during the corresponding payroll period for the fiscal year ending June 30, 2008.

- (i) The State as an employer shall contribute to the system every payroll period an amount sufficient to pay the actuarially determined employer normal cost, all contributions required under AS 39.30.370 and AS 39.35.750, and all past service cost for members at the contribution rate adopted by the board under AS 37.10.220 for the fiscal year for that payroll period.

and:

Sec. 39.35.280. Additional state contributions. In addition to the contributions that the state is required to make under AS 39.35.255 as an employer, the state shall contribute to the plan each July 1 or, if funds are not available on July 1, as soon after July 1 as funds become available, an amount for the ensuing fiscal year that, when combined with the total employer contributions that the administrator estimates will be allocated under AS 39.35.255(c), is sufficient to pay the plan's past service liability at the contribution rate adopted by the board under AS 37.10.220 for that fiscal year.

STATUS:

The Division of Retirement & Benefits' (Division) actuary, Buck, has completed the allocation of projected FY 24 employer and additional state contributions as shown in their letter dated September 1, 2022 based on the June 30, 2021 valuation report, except the results for PERS reflect FY 22 asset performance as shown in the preliminary June 30, 2022 asset statements provided by the Division on August 31, 2022. The PERS June 30, 2021 valuation report has been reviewed by the Board's actuary, Gabriel, Roeder, Smith & Co. (GRS) and then certified and accepted by the Board.

RECOMMENDATION:

The Actuarial Committee recommends that the Alaska Retirement Management Board set the Fiscal Year 2024 PERS actuarially determined contribution rate attributable to employers consistent with its fiduciary duty, as set out in the attached form of Resolution 2022-04.



September 1, 2022

Mr. Ajay Desai
Director
Alaska Department of Administration
Division of Retirement & Benefits
PO Box 110203
Juneau, AK 99811-0203

Dear Ajay,

As requested, we have calculated the allocation between the pension and healthcare trusts of the FY24 Additional State Contributions for the State of Alaska Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), and Judicial Retirement System (JRS).

All results are based on the June 30, 2021 valuation reports, except the results for PERS and TRS reflect FY22 asset performance as shown in the preliminary June 30, 2022 asset statements that were provided to us on August 31.

Summary of Results

For PERS and TRS, the FY24 Additional State Contributions are allocated 100% to pension since the healthcare trusts are projected to be more than 100% funded at June 30, 2023. Similarly, we assumed the FY23 Additional State Contributions were made 100% to pension because the healthcare trusts were projected to be more than 100% funded at June 30, 2022.

Attached to this letter are three exhibits. Each exhibit is the same except for the portion of the FY24 healthcare Normal Cost that is assumed to be deposited to the healthcare trust¹.

- Exhibit 1 – **100%** of the FY24 healthcare Normal Cost is assumed to be deposited to the healthcare trust.
- Exhibit 2 – **0%** of the FY24 healthcare Normal Cost is assumed to be deposited to the healthcare trust.
- Exhibit 3 – **50%** of the FY24 healthcare Normal Cost is assumed to be deposited to the healthcare trust.

¹ In Exhibits 2 and 3, the portion of the FY24 healthcare Normal Cost not contributed to the healthcare trust was added to the pension Past Service Cost in order to keep the total employer contribution rate at 22% (PERS non-State employers) and 12.56% (TRS).

For all three exhibits:

- Liabilities as of June 30, 2021 were rolled forward two years based on the June 30, 2021 valuation projections. For FY22, actual (pension) and expected (healthcare) benefit payments were used in the liability roll-forward. For FY23, expected benefit payments (pension and healthcare) were used in the liability roll-forward.
- Assets as of June 30, 2021 were rolled forward one year using actual FY22 investment return, contributions, subsidies, benefit payments, and administrative expenses based on the preliminary June 30, 2022 asset statements. Assets as of June 30, 2022 were rolled forward one year based on the expected FY23 investment return and cash flows from the June 30, 2021 valuation projections.
- The Unfunded Actuarial Accrued Liability is amortized under the 25-year layered approach adopted by the Alaska Retirement Management Board (ARMB) effective June 30, 2018.
- Investment gains and losses are recognized over 5 years beginning June 30, 2014.
- All contribution rates are based on total payroll of Defined Benefit (DB) and Defined Contribution Retirement (DCR) combined.
- For PERS, contributions were allocated between non-State employers and the State as an employer per the provisions of SB 55. The payroll of the State's PERS employees was assumed to be 49.79% of total PERS payroll based on the June 30, 2021 valuation data.

For JRS, the allocation of the FY24 past service cost rate between pension and healthcare is shown below. The FY24 past service cost rate is based on the June 30, 2021 valuation, but not less than zero.

JRS			
	Projected Pay	FY24 Past Service Cost Rate	FY24 Past Service Contribution Amount
Pension	\$ 13,157,000	19.71%	\$ 2,593,000
Healthcare	\$ 13,157,000	<u>0.00%</u>	<u>\$ 0</u>
Total		19.71%	\$ 2,593,000

Data, Provisions, Assumptions, and Methods

The data, plan provisions, actuarial assumptions, and methods used for the PERS, TRS, and JRS plan costs are described in the June 30, 2021 actuarial valuation reports. These reports include detailed information related to potential risks associated with funding of the plans (ASOP 51), as well as information regarding our use of models (ASOP 56).

Preliminary June 30, 2022 asset statements for PERS and TRS were reflected as noted above.

Actuarial Standards of Practice No. 27 (ASOP 27) and No. 35 (ASOP 35) require the actuary to disclose the information and analysis used to support the actuary's determination that the assumptions selected by the plan sponsor do not significantly conflict with what, in the actuary's professional judgment, are reasonable for the purpose of the measurement. In the case of the ARMB's selection of the expected return on assets (EROA), the signing actuary has used economic information and tools provided by Buck's Financial Risk Management (FRM) practice. A spreadsheet tool created by the FRM practice converts averages, standard deviations, and correlations from Buck's Capital Markets Assumptions that are used for stochastic forecasting into approximate percentile ranges for the arithmetic and geometric average returns. It is intended to suggest possible reasonable ranges for EROA without attempting to predict or select a specific best estimate rate of return. It takes into account the duration (horizon) of investment and the target allocation of assets in the portfolio to various asset classes. Based on the actuary's analysis, including consistency with other assumptions used in the valuation and the percentiles generated by the spreadsheet tool described above, the actuary believes the EROA does not significantly conflict with what, in the actuary's professional judgment, is reasonable for the purpose of the measurement.

Please call me at 602-803-6174 if you have any questions.

Sincerely,



David J. Kershner, FSA, EA, MAAA, FCA
Principal
Buck

Attachments

cc: Mr. Jim Puckett, State of Alaska
Mr. Kevin Worley, State of Alaska



Exhibit 1

State of Alaska Allocation of Projected FY24 Employer and Additional State Contributions

Based on June 30, 2021 Valuations
with Liabilities Rolled Forward Two Years and
Assets Rolled Forward One Year and Smoothed

Portion of FY24 Healthcare Normal Cost Contributed to Healthcare Trust: 100%

	PERS					TRS	
	Non-State Employers		State as an Employer		All Employers		
Projected FY24 DB Payroll		\$ 357,303,000		\$ 354,314,000	\$ 711,617,000		\$ 270,617,000
Projected FY24 DCR Payroll		866,626,000		859,376,000	1,726,002,000		491,467,000
Projected FY24 Total Payroll		<u>\$ 1,223,929,000</u>		<u>\$ 1,213,690,000</u>	<u>\$ 2,437,619,000</u>		<u>\$ 762,084,000</u>
	Percent of Total Payroll	Estimated Dollar Amount	Percent of Total Payroll	Estimated Dollar Amount	Estimated Dollar Amount	Percent of Total Payroll	Estimated Dollar Amount
Employer Contributions							
DB Pension Plan							
1. Normal Cost	2.14%		2.14%			2.05%	
2. Past Service Cost	<u>10.73%</u>		<u>16.33%</u>			<u>1.07%</u>	
3. Total: (1) + (2)	12.87%	\$ 157,520,000	18.47%	\$ 224,169,000	\$ 381,689,000	3.12%	\$ 23,777,000
DB Healthcare Plan							
4. Normal Cost	2.50%		2.50%			2.41%	
5. Past Service Cost	<u>0.00%</u>		<u>0.00%</u>			<u>0.00%</u>	
6. Total: (4) + (5)	2.50%	30,598,000	2.50%	30,342,000	60,940,000	2.41%	18,366,000
7. DCR Plan	<u>6.63%</u>	<u>81,146,000</u>	<u>6.63%</u>	<u>80,468,000</u>	<u>161,614,000</u>	<u>7.03%</u>	<u>53,575,000</u>
8. Total: (3) + (6) + (7)	22.00%	\$ 269,264,000	27.60%	\$ 334,979,000	\$ 604,243,000	12.56%	\$ 95,718,000
Additional State Contributions to DB							
9. DB Pension Plan	5.60%	\$ 68,540,000	0.00%	\$ 0	\$ 68,540,000	15.37%	\$ 117,132,000
10. DB Healthcare Plan	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>
11. Total: (9) + (10)	5.60%	\$ 68,540,000	0.00%	\$ 0	\$ 68,540,000	15.37%	\$ 117,132,000
Total DB							
12. DB Pension Plan: (3) + (9)	18.47%	\$ 226,060,000	18.47%	\$ 224,169,000	\$ 450,229,000	18.49%	\$ 140,909,000
13. DB Healthcare Plan: (6) + (10)	<u>2.50%</u>	<u>30,598,000</u>	<u>2.50%</u>	<u>30,342,000</u>	<u>60,940,000</u>	<u>2.41%</u>	<u>18,366,000</u>
14. Total: (12) + (13)	20.97%	\$ 256,658,000	20.97%	\$ 254,511,000	\$ 511,169,000	20.90%	\$ 159,275,000
Total DB and DCR: (7) + (14)	27.60%	\$ 337,804,000	27.60%	\$ 334,979,000	\$ 672,783,000	27.93%	\$ 212,850,000

Notes:

1. Projected FY24 payroll is based on the June 30, 2021 valuation projections assuming 0% population growth.
2. Additional State Contributions for FY23 were assumed to be made 100% to pension.
3. All contribution rates are expressed as a percentage of total payroll of DB and DCR combined.
4. FY22 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on preliminary June 30, 2022 asset statements provided by the State. FY23 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on the June 30, 2021 valuation projections assuming 0% population growth. Investment gains and losses are recognized over 5 years beginning June 30, 2014.
5. Total contribution rates for pension and healthcare are not less than the Normal Cost rates.
6. For PERS under SB 55, payroll for the State's PERS employees was assumed to be 49.79% of total PERS payroll based on the June 30, 2021 valuation data.
7. Data, plan provisions, assumptions, and methods are as described in the June 30, 2021 actuarial valuation reports, except as noted above.

Exhibit 2

State of Alaska Allocation of Projected FY24 Employer and Additional State Contributions

Based on June 30, 2021 Valuations
with Liabilities Rolled Forward Two Years and
Assets Rolled Forward One Year and Smoothed

Portion of FY24 Healthcare Normal Cost Contributed to Healthcare Trust: 0%

	PERS					TRS	
	Non-State Employers		State as an Employer		All Employers		
Projected FY24 DB Payroll	\$ 357,303,000		\$ 354,314,000		\$ 711,617,000	\$ 270,617,000	
Projected FY24 DCR Payroll	866,626,000		859,376,000		1,726,002,000	491,467,000	
Projected FY24 Total Payroll	<u>\$ 1,223,929,000</u>		<u>\$ 1,213,690,000</u>		<u>\$ 2,437,619,000</u>	<u>\$ 762,084,000</u>	
	Percent of Total Payroll	Estimated Dollar Amount	Percent of Total Payroll	Estimated Dollar Amount	Estimated Dollar Amount	Percent of Total Payroll	Estimated Dollar Amount
Employer Contributions							
DB Pension Plan							
1. Normal Cost	2.14%		2.14%			2.05%	
2. Past Service Cost	<u>13.23%</u>		<u>16.33%</u>			<u>3.48%</u>	
3. Total: (1) + (2)	15.37%	\$ 188,118,000	18.47%	\$ 224,169,000	\$ 412,287,000	5.53%	\$ 42,143,000
DB Healthcare Plan							
4. Normal Cost	0.00%		0.00%			0.00%	
5. Past Service Cost	<u>0.00%</u>		<u>0.00%</u>			<u>0.00%</u>	
6. Total: (4) + (5)	0.00%	0	0.00%	0	0	0.00%	0
7. DCR Plan	<u>6.63%</u>	81,146,000	<u>6.63%</u>	80,468,000	161,614,000	<u>7.03%</u>	53,575,000
8. Total: (3) + (6) + (7)	22.00%	\$ 269,264,000	25.10%	\$ 304,637,000	\$ 573,901,000	12.56%	\$ 95,718,000
Additional State Contributions to DB							
9. DB Pension Plan	3.10%	\$ 37,942,000	0.00%	\$ 0	\$ 37,942,000	12.96%	\$ 98,766,000
10. DB Healthcare Plan	<u>0.00%</u>	0	<u>0.00%</u>	0	0	<u>0.00%</u>	0
11. Total: (9) + (10)	3.10%	\$ 37,942,000	0.00%	\$ 0	\$ 37,942,000	12.96%	\$ 98,766,000
Total DB							
12. DB Pension Plan: (3) + (9)	18.47%	\$ 226,060,000	18.47%	\$ 224,169,000	\$ 450,229,000	18.49%	\$ 140,909,000
13. DB Healthcare Plan: (6) + (10)	<u>0.00%</u>	0	<u>0.00%</u>	0	0	<u>0.00%</u>	0
14. Total: (12) + (13)	18.47%	\$ 226,060,000	18.47%	\$ 224,169,000	\$ 450,229,000	18.49%	\$ 140,909,000
Total DB and DCR: (7) + (14)	25.10%	\$ 307,206,000	25.10%	\$ 304,637,000	\$ 611,843,000	25.52%	\$ 194,484,000

Notes:

1. Projected FY24 payroll is based on the June 30, 2021 valuation projections assuming 0% population growth.
2. Additional State Contributions for FY23 were assumed to be made 100% to pension.
3. All contribution rates are expressed as a percentage of total payroll of DB and DCR combined.
4. FY22 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on preliminary June 30, 2022 asset statements provided by the State. FY23 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on the June 30, 2021 valuation projections assuming 0% population growth. Investment gains and losses are recognized over 5 years beginning June 30, 2014.
5. Total contribution rates for pension and healthcare are not less than the Normal Cost rates.
6. For PERS under SB 55, payroll for the State's PERS employees was assumed to be 49.79% of total PERS payroll based on the June 30, 2021 valuation data.
7. Healthcare past service rates are allowed to reduce the total Healthcare rates to zero. The Pension past service rates are adjusted to keep the total contribution rates at 22% (PERS non-State employers) and 12.56% (TRS).
8. Data, plan provisions, assumptions, and methods are as described in the June 30, 2021 actuarial valuation reports, except as noted above.

Exhibit 3

State of Alaska Allocation of Projected FY24 Employer and Additional State Contributions

Based on June 30, 2021 Valuations
with Liabilities Rolled Forward Two Years and
Assets Rolled Forward One Year and Smoothed

Portion of FY24 Healthcare Normal Cost Contributed to Healthcare Trust: 50%

	PERS					TRS	
	Non-State Employers		State as an Employer		All Employers	Percent of Total Payroll	Estimated Dollar Amount
Projected FY24 DB Payroll		\$ 357,303,000		\$ 354,314,000	\$ 711,617,000		
Projected FY24 DCR Payroll		866,626,000		859,376,000	1,726,002,000		491,467,000
Projected FY24 Total Payroll		<u>\$ 1,223,929,000</u>		<u>\$ 1,213,690,000</u>	<u>\$ 2,437,619,000</u>		<u>\$ 762,084,000</u>
	Percent of Total Payroll	Estimated Dollar Amount	Percent of Total Payroll	Estimated Dollar Amount	Estimated Dollar Amount		
Employer Contributions							
DB Pension Plan							
1. Normal Cost	2.14%		2.14%			2.05%	
2. Past Service Cost	<u>11.98%</u>		<u>16.33%</u>			<u>2.27%</u>	
3. Total: (1) + (2)	14.12%	\$ 172,819,000	18.47%	\$ 224,169,000	\$ 396,988,000	4.32%	\$ 32,922,000
DB Healthcare Plan							
4. Normal Cost	1.25%		1.25%			1.21%	
5. Past Service Cost	<u>0.00%</u>		<u>0.00%</u>			<u>0.00%</u>	
6. Total: (4) + (5)	1.25%	15,299,000	1.25%	15,171,000	30,470,000	1.21%	9,221,000
7. DCR Plan	<u>6.63%</u>	<u>81,146,000</u>	<u>6.63%</u>	<u>80,468,000</u>	<u>161,614,000</u>	<u>7.03%</u>	<u>53,575,000</u>
8. Total: (3) + (6) + (7)	22.00%	\$ 269,264,000	26.35%	\$ 319,808,000	\$ 589,072,000	12.56%	\$ 95,718,000
Additional State Contributions to DB							
9. DB Pension Plan	4.35%	\$ 53,241,000	0.00%	\$ 0	\$ 53,241,000	14.17%	\$ 107,987,000
10. DB Healthcare Plan	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>
11. Total: (9) + (10)	4.35%	\$ 53,241,000	0.00%	\$ 0	\$ 53,241,000	14.17%	\$ 107,987,000
Total DB							
12. DB Pension Plan: (3) + (9)	18.47%	\$ 226,060,000	18.47%	\$ 224,169,000	\$ 450,229,000	18.49%	\$ 140,909,000
13. DB Healthcare Plan: (6) + (10)	<u>1.25%</u>	<u>15,299,000</u>	<u>1.25%</u>	<u>15,171,000</u>	<u>30,470,000</u>	<u>1.21%</u>	<u>9,221,000</u>
14. Total: (12) + (13)	19.72%	\$ 241,359,000	19.72%	\$ 239,340,000	\$ 480,699,000	19.70%	\$ 150,130,000
Total DB and DCR: (7) + (14)	26.35%	\$ 322,505,000	26.35%	\$ 319,808,000	\$ 642,313,000	26.73%	\$ 203,705,000

Notes:

- Projected FY24 payroll is based on the June 30, 2021 valuation projections assuming 0% population growth.
- Additional State Contributions for FY23 were assumed to be made 100% to pension.
- All contribution rates are expressed as a percentage of total payroll of DB and DCR combined.
- FY22 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on preliminary June 30, 2022 asset statements provided by the State. FY23 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on the June 30, 2021 valuation projections assuming 0% population growth. Investment gains and losses are recognized over 5 years beginning June 30, 2014.
- Total contribution rates for pension and healthcare are not less than the Normal Cost rates.
- For PERS under SB 55, payroll for the State's PERS employees was assumed to be 49.79% of total PERS payroll based on the June 30, 2021 valuation data.
- Healthcare past service rates are allowed to reduce the total Healthcare rates by half. The Pension past service rates are adjusted to keep the total contribution rates at 22% (PERS non-State employers) and 12.56% (TRS).
- Data, plan provisions, assumptions, and methods are as described in the June 30, 2021 actuarial valuation reports, except as noted above.

The following version of Resolution 2022-04 reflects **Exhibit 1** - 100% of the FY24 healthcare Normal Cost is assumed to be deposited to the healthcare trust.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to the Fiscal Year 2024 Employer Contribution Rate
For the Public Employees' Retirement System

Resolution 2022-04

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, AS 37.10.220(a)(8) requires the Board to coordinate with the retirement system administrator to conduct an annual actuarial valuation of each retirement system to determine system assets, accrued liabilities and funding ratios, and to certify to the appropriate budgetary authority of each employer in the system an appropriate contribution rate for normal costs and an appropriate contribution rate for liquidating any past service liability determined by a level percent of pay method based on amortization of the past service liability for a closed term of 25 years; and

WHEREAS, AS 39.35.255 establishes a statutory non-State employer contribution rate of 22.00 percent and the actuarially determined contribution rate for the State as an employer, and AS 39.35.280 requires additional state contribution to make up the difference between 22.00 percent for non-State employers and the actuarially determined contribution rate; and

WHEREAS, the Buck schedule dated September 1, 2022 determines that the actuarially determined contribution rate for pension benefits is 18.47 percent composed of the normal cost rate of 2.14 percent and past service rate of 16.33 percent; and

WHEREAS, the Buck schedule dated September 1, 2022 determines that the actuarially determined contribution rate for postemployment healthcare benefits is 2.50 percent composed of the normal cost rate of 2.50 percent and past service rate of negative 5.83 percent; and

WHEREAS, the Buck schedule dated September 1, 2022 presents the employer rate incorporating the total cost of the Defined Contribution Retirement Plan of 6.63 percent;

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that the Fiscal Year 2024 actuarially determined contribution rate attributable to employers participating in the Public Employees' Retirement System is set at 27.60 percent, composed of the contribution rate for defined benefit pension of 18.47 percent, the contribution rate for postemployment healthcare of 2.50 percent, and the contribution rate for defined contribution pension of 6.63 percent and the non-state employer contribution per the attached Buck schedule dated September 1, 2022.

DATED at Anchorage, Alaska this 15th day of September, 2022.

Chair

ATTEST:

Secretary

The following version of Resolution 2022-04 reflects **Exhibit 2** - 0% of the FY24 healthcare Normal Cost is assumed to be deposited to the healthcare trust.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to the Fiscal Year 2024 Employer Contribution Rate
For the Public Employees' Retirement System

Resolution 2022-04

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, AS 37.10.220(a)(8) requires the Board to coordinate with the retirement system administrator to conduct an annual actuarial valuation of each retirement system to determine system assets, accrued liabilities and funding ratios, and to certify to the appropriate budgetary authority of each employer in the system an appropriate contribution rate for normal costs and an appropriate contribution rate for liquidating any past service liability determined by a level percent of pay method based on amortization of the past service liability for a closed term of 25 years; and

WHEREAS, AS 39.35.255 establishes a statutory non-State employer contribution rate of 22.00 percent and the actuarially determined contribution rate for the State as an employer, and AS 39.35.280 requires additional state contribution to make up the difference between 22.00 percent for non-State employers and the actuarially determined contribution rate; and

WHEREAS, the Buck schedule dated September 1, 2022 determines that the actuarially determined contribution rate for pension benefits is 18.47 percent composed of the normal cost rate of 2.14 percent and past service rate of 16.33 percent; and

WHEREAS, the Buck schedule dated September 1, 2022 determines that the actuarially determined contribution rate for postemployment healthcare benefits is 2.50 percent composed of the normal cost rate of 2.50 percent and past service rate of negative 5.83 percent; and

WHEREAS, due to the funded status of the postemployment healthcare trust, the Board has the authority under AS 37.10.220(a)(8) to adopt a rate that is appropriate, and the Board has determined that the appropriate contribution rate for the postemployment healthcare benefits is 0.00 percent; and

WHEREAS, the Buck schedule dated September 1, 2022 presents the employer rate incorporating the total cost of the Defined Contribution Retirement Plan of 6.63 percent;

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that the Fiscal Year 2024 actuarially determined contribution rate attributable to employers participating in the Public Employees' Retirement System is set at 25.10 percent, composed of the contribution rate for defined benefit pension of 18.47 percent, the contribution rate for postemployment healthcare of 0.00 percent, and the contribution rate for defined contribution pension of 6.63 percent and the non-state employer contribution per the attached Buck schedule dated September 1, 2022.

DATED at Anchorage, Alaska this 15th day of September, 2022.

Chair

ATTEST:

Secretary

The following version of Resolution 2022-04 reflects **Exhibit 3** - 50% of the FY24 healthcare Normal Cost is assumed to be deposited to the healthcare trust.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to the Fiscal Year 2024 Employer Contribution Rate
For the Public Employees' Retirement System

Resolution 2022-04

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, AS 37.10.220(a)(8) requires the Board to coordinate with the retirement system administrator to conduct an annual actuarial valuation of each retirement system to determine system assets, accrued liabilities and funding ratios, and to certify to the appropriate budgetary authority of each employer in the system an appropriate contribution rate for normal costs and an appropriate contribution rate for liquidating any past service liability determined by a level percent of pay method based on amortization of the past service liability for a closed term of 25 years; and

WHEREAS, AS 39.35.255 establishes a statutory non-State employer contribution rate of 22.00 percent and the actuarially determined contribution rate for the State as an employer, and AS 39.35.280 requires additional state contribution to make up the difference between 22.00 percent for non-State employers and the actuarially determined contribution rate; and

WHEREAS, the Buck schedule dated September 1, 2022 determines that the actuarially determined contribution rate for pension benefits is 18.47 percent composed of the normal cost rate of 2.14 percent and past service rate of 16.33 percent; and

WHEREAS, the Buck schedule dated September 1, 2022 determines that the actuarially determined contribution rate for postemployment healthcare benefits is 2.50 percent composed of the normal cost rate of 2.50 percent and past service rate of negative 5.83 percent; and

WHEREAS, due to the funded status of the postemployment healthcare trust, the Board has the authority under AS 37.10.220(a)(8) to adopt a rate that is appropriate, and the Board has determined that the appropriate contribution rate for the postemployment healthcare benefits is 1.25 percent; and

WHEREAS, the Buck schedule dated September 1, 2022 presents the employer rate incorporating the total cost of the Defined Contribution Retirement Plan of 6.63 percent;

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that the Fiscal Year 2024 actuarially determined contribution rate attributable to employers participating in the Public Employees' Retirement System is set at 26.35 percent, composed of the contribution rate for defined benefit pension of 18.47 percent, the contribution rate for postemployment healthcare of 1.25 percent, and the contribution rate for defined contribution pension of 6.63 percent and the non-state employer contribution per the attached Buck schedule dated September 1, 2022.

DATED at Anchorage, Alaska this 15th day of September, 2022.

Chair

ATTEST:

Secretary

ALASKA RETIREMENT MANAGEMENT BOARD

Actuarial Committee

SUBJECT: FY 24 PERS Retiree Major Medical ACTION: X
and Occupational Death & Disability

DATE: September 14, 2022 INFORMATION: _____

BACKGROUND:

The Alaska Retirement Management Board (Board) establishes rates for the Public Employees' Retirement System (PERS) Defined Contribution Retirement Plan for the following plans: 1) Retiree Major Medical Insurance and 2) Occupational Death & Disability under the following two sections in Alaska Statute:

Retiree Major Medical Insurance

AS 39.35.750 (b) requires that "An employer shall also contribute an amount equal to a percentage, as adopted by the board, of each member's compensation from July 1 to the following June 30 to pay for retiree major medical insurance."

Occupational Death & Disability

AS 39.35.750 (e) requires that "An employer shall make annual contributions to the plan in an amount determined by the board to be actuarially required to fully fund the cost of providing occupational disability and occupational death benefits under AS 39.35.890 and 39.35.892. The contribution required under this subsection for peace officers and fire fighters and the contribution required under this subsection for other employees shall be separately calculated based on the actuarially calculated costs for each group of employees."

STATUS:

The Division of Retirement & Benefits' actuary, Buck, has completed the actuarial valuation of the PERS Defined Contribution Retirement Plan as of June 30, 2021. The valuation has been reviewed by the Board's actuary, Gabriel, Roeder, Smith & Co. (GRS) and then certified and accepted by the Board.

According to the PERS Defined Contribution Retirement Plan actuarial valuation report, and confirmed by GRS, the Fiscal Year 2024 actuarially determined contribution rates attributable to employers for the Retiree Major Medical Insurance should be 1.01 percent; for the peace officer/firefighter Occupational Death & Disability benefit should be 0.68 percent; and for "all other" Occupational Death & Disability benefit should be 0.30 percent.

RECOMMENDATION:

The Actuarial Committee recommends that the Alaska Retirement Management Board set Fiscal Year 2024 PERS Defined Contribution Retirement Retiree Major Medical Insurance and Occupational Death & Disability Benefit rates as set out in the following resolutions:

1. Resolution 2022-05: Public Employees' Defined Contribution Retirement Plan Retiree Major Medical Insurance Rate
2. Resolution 2022-06: Public Employees' Defined Contribution Retirement Plan Occupational Death & Disability Benefit Rates

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to the Fiscal Year 2024 Employer Contribution Rate For
Public Employees' Defined Contribution Retirement Plan Retiree
Major Medical Insurance Rate

Resolution 2022-05

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, AS 37.10.220 requires the Board to coordinate with the retirement system administrator to conduct an annual actuarial valuation of each retirement system to determine system assets, accrued liabilities and funding ratios; and

WHEREAS, AS 39.35.750(b) requires the Board to approve an amount equal to a percentage of each member's compensation from July 1 to the following June 30 to pay for retiree major medical insurance; and

WHEREAS, the June 30, 2021 PERS Defined Contribution actuarial valuation report determines that the actuarially determined contribution rate for retiree major medical insurance is 1.01 percent, which is the normal cost rate; and

WHEREAS, there is no past service liability as determined by the annual actuarial valuation of the PERS Defined Contribution retiree major medical insurance, so no contribution rate for liquidating past service liability is appropriate under AS 37.10.220(a)(8)(B);

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, the Fiscal Year 2024 employer contribution rate for the retiree major medical insurance for the Public Employees' Defined Contribution Retirement Plan is set at 1.01 percent.

DATED at Anchorage, Alaska this 15th day of September, 2022.

Chair

ATTEST:

Secretary

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to the Fiscal Year 2024 Employer Contribution Rate
For Public Employees' Defined Contribution Retirement Plan
Occupational Death & Disability Benefit Rates

Resolution 2022-06

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, AS 37.10.220 requires the Board to coordinate with the retirement system administrator to conduct an annual actuarial valuation of each retirement system to determine system assets, accrued liabilities and funding ratios; and

WHEREAS, AS 39.35.750(e) requires the Board to determine an actuarially sound amount required to fully fund the cost of providing occupational disability and occupational death benefits under AS 39.35.890 and 39.35.892, and that such contribution for peace officers and fire fighters, and the contribution for other employees shall be calculated separately; and

WHEREAS, the June 30, 2021 PERS Defined Contribution actuarial valuation report determines that the actuarially determined contribution rate for peace officer / firefighter occupational death & disability is 0.68 percent, which is the normal cost rate, and the actuarially determined contribution rate for "all other" is 0.30 percent, which is the normal cost rate; and

WHEREAS, there is no past service liability as determined by the annual actuarial valuation of the PERS Defined Contribution occupational death & disability, so no contribution rate for liquidating past service liability is appropriate under AS 37.10.220(a)(8)(B);

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, the Fiscal Year 2024 employer contribution rate for public employees' occupational death and disability benefit rate is set at 0.68 percent for peace officers / fire fighters, and at 0.30 percent for all other Public Employees' Defined Contribution Retirement Plan employees.

DATED at Anchorage, Alaska this 15th day of September, 2022.

Chair

ATTEST:

Secretary

ALASKA RETIREMENT MANAGEMENT BOARD

Actuarial Committee

SUBJECT: FY 24 TRS Employer Contribution Rate ACTION: X
Tier I - II
DATE: September 14, 2022 INFORMATION: _____

BACKGROUND:

AS 37.10.220(a)(8) sets forth the responsibility of the Alaska Retirement Management Board (Board) to annually certify to each employer in the system contribution rates for normal costs and for liquidating any past service liability:

(8) coordinate with the retirement system administrator to have an annual actuarial valuation of each retirement system prepared to determine system assets, accrued liabilities, and funding ratios and to certify to the appropriate budgetary authority of each employer in the system

(A) an appropriate contribution rate for normal costs; and

(B) an appropriate contribution rate for liquidating any past service liability; in this subparagraph, the appropriate contribution rate for liquidating the past service liability of the defined benefit retirement plan under AS 14.25.009 - 14.25.220 or the past service liability of the defined benefit retirement plan under AS 39.35.095 - 39.35.680 must be determined by a level percent of pay method based on amortization of the past service liability for a closed term of 25 years;

AS 14.25.070 requires that the amount of each Teachers' Retirement System (TRS) employer's contribution to the system shall be determined by applying the employer's contribution rate, as certified by the Board, to the total compensation paid to the active employee. Statutory employer contribution and additional state contribution are established under the following two sections of Alaska Statute:

Sec. 14.25.070. Contributions by employers. (a) Each employer shall contribute to the system every payroll period an amount calculated by applying a rate of 12.56 percent to the total of all base salaries paid by the employer to active members of the system, including any adjustments to contributions required by AS 14.25.173(a).

and:

Sec. 14.25.085. Additional state contributions. In addition to the contributions that the state is required to make under AS 14.25.070 as an employer, the state shall contribute to the plan each July 1 or, if funds are not available on July 1, as soon after July 1 as funds become available, an amount for the ensuing fiscal year that, when combined with the total employer contributions that the administrator estimates will be allocated under AS 14.25.070(c), is sufficient to pay the plan's past service liability at the contribution rate adopted by the board under AS 37.10.220 for that fiscal year.

STATUS:

The Division of Retirement & Benefits' (Division) actuary, Buck, has completed the allocation of projected FY 24 employer and additional state contributions as shown in their letter dated September 1, 2022 based on the June 30, 2021 valuation report, except the results for TRS reflect FY 22 asset performance as shown in the preliminary June 30, 2022 asset statements provided by the Division on August 31, 2022. The TRS June 30, 2021 valuation report has been reviewed by the Board's actuary, Gabriel, Roeder, Smith & Co. (GRS) and then certified and accepted by the Board.

RECOMMENDATION:

The Actuarial Committee recommends that the Alaska Retirement Management Board set the Fiscal Year 2024 TRS actuarially determined contribution rate attributable to employers consistent with its fiduciary duty, as set out in the attached form of Resolution 2022-07.



September 1, 2022

Mr. Ajay Desai
Director
Alaska Department of Administration
Division of Retirement & Benefits
PO Box 110203
Juneau, AK 99811-0203

Dear Ajay,

As requested, we have calculated the allocation between the pension and healthcare trusts of the FY24 Additional State Contributions for the State of Alaska Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), and Judicial Retirement System (JRS).

All results are based on the June 30, 2021 valuation reports, except the results for PERS and TRS reflect FY22 asset performance as shown in the preliminary June 30, 2022 asset statements that were provided to us on August 31.

Summary of Results

For PERS and TRS, the FY24 Additional State Contributions are allocated 100% to pension since the healthcare trusts are projected to be more than 100% funded at June 30, 2023. Similarly, we assumed the FY23 Additional State Contributions were made 100% to pension because the healthcare trusts were projected to be more than 100% funded at June 30, 2022.

Attached to this letter are three exhibits. Each exhibit is the same except for the portion of the FY24 healthcare Normal Cost that is assumed to be deposited to the healthcare trust¹.

- Exhibit 1 – **100%** of the FY24 healthcare Normal Cost is assumed to be deposited to the healthcare trust.
- Exhibit 2 – **0%** of the FY24 healthcare Normal Cost is assumed to be deposited to the healthcare trust.
- Exhibit 3 – **50%** of the FY24 healthcare Normal Cost is assumed to be deposited to the healthcare trust.

¹ In Exhibits 2 and 3, the portion of the FY24 healthcare Normal Cost not contributed to the healthcare trust was added to the pension Past Service Cost in order to keep the total employer contribution rate at 22% (PERS non-State employers) and 12.56% (TRS).

For all three exhibits:

- Liabilities as of June 30, 2021 were rolled forward two years based on the June 30, 2021 valuation projections. For FY22, actual (pension) and expected (healthcare) benefit payments were used in the liability roll-forward. For FY23, expected benefit payments (pension and healthcare) were used in the liability roll-forward.
- Assets as of June 30, 2021 were rolled forward one year using actual FY22 investment return, contributions, subsidies, benefit payments, and administrative expenses based on the preliminary June 30, 2022 asset statements. Assets as of June 30, 2022 were rolled forward one year based on the expected FY23 investment return and cash flows from the June 30, 2021 valuation projections.
- The Unfunded Actuarial Accrued Liability is amortized under the 25-year layered approach adopted by the Alaska Retirement Management Board (ARMB) effective June 30, 2018.
- Investment gains and losses are recognized over 5 years beginning June 30, 2014.
- All contribution rates are based on total payroll of Defined Benefit (DB) and Defined Contribution Retirement (DCR) combined.
- For PERS, contributions were allocated between non-State employers and the State as an employer per the provisions of SB 55. The payroll of the State's PERS employees was assumed to be 49.79% of total PERS payroll based on the June 30, 2021 valuation data.

For JRS, the allocation of the FY24 past service cost rate between pension and healthcare is shown below. The FY24 past service cost rate is based on the June 30, 2021 valuation, but not less than zero.

JRS			
	Projected Pay	FY24 Past Service Cost Rate	FY24 Past Service Contribution Amount
Pension	\$ 13,157,000	19.71%	\$ 2,593,000
Healthcare	\$ 13,157,000	<u>0.00%</u>	<u>\$ 0</u>
Total		19.71%	\$ 2,593,000

Data, Provisions, Assumptions, and Methods

The data, plan provisions, actuarial assumptions, and methods used for the PERS, TRS, and JRS plan costs are described in the June 30, 2021 actuarial valuation reports. These reports include detailed information related to potential risks associated with funding of the plans (ASOP 51), as well as information regarding our use of models (ASOP 56).

Preliminary June 30, 2022 asset statements for PERS and TRS were reflected as noted above.

Actuarial Standards of Practice No. 27 (ASOP 27) and No. 35 (ASOP 35) require the actuary to disclose the information and analysis used to support the actuary's determination that the assumptions selected by the plan sponsor do not significantly conflict with what, in the actuary's professional judgment, are reasonable for the purpose of the measurement. In the case of the ARMB's selection of the expected return on assets (EROA), the signing actuary has used economic information and tools provided by Buck's Financial Risk Management (FRM) practice. A spreadsheet tool created by the FRM practice converts averages, standard deviations, and correlations from Buck's Capital Markets Assumptions that are used for stochastic forecasting into approximate percentile ranges for the arithmetic and geometric average returns. It is intended to suggest possible reasonable ranges for EROA without attempting to predict or select a specific best estimate rate of return. It takes into account the duration (horizon) of investment and the target allocation of assets in the portfolio to various asset classes. Based on the actuary's analysis, including consistency with other assumptions used in the valuation and the percentiles generated by the spreadsheet tool described above, the actuary believes the EROA does not significantly conflict with what, in the actuary's professional judgment, is reasonable for the purpose of the measurement.

Please call me at 602-803-6174 if you have any questions.

Sincerely,



David J. Kershner, FSA, EA, MAAA, FCA
Principal
Buck

Attachments

cc: Mr. Jim Puckett, State of Alaska
Mr. Kevin Worley, State of Alaska



Exhibit 1

State of Alaska Allocation of Projected FY24 Employer and Additional State Contributions

Based on June 30, 2021 Valuations
with Liabilities Rolled Forward Two Years and
Assets Rolled Forward One Year and Smoothed

Portion of FY24 Healthcare Normal Cost Contributed to Healthcare Trust: 100%

	PERS					TRS	
	Non-State Employers		State as an Employer		All Employers		
Projected FY24 DB Payroll		\$ 357,303,000		\$ 354,314,000	\$ 711,617,000		\$ 270,617,000
Projected FY24 DCR Payroll		866,626,000		859,376,000	1,726,002,000		491,467,000
Projected FY24 Total Payroll		<u>\$ 1,223,929,000</u>		<u>\$ 1,213,690,000</u>	<u>\$ 2,437,619,000</u>		<u>\$ 762,084,000</u>
	Percent of Total Payroll	Estimated Dollar Amount	Percent of Total Payroll	Estimated Dollar Amount	Estimated Dollar Amount	Percent of Total Payroll	Estimated Dollar Amount
Employer Contributions							
DB Pension Plan							
1. Normal Cost	2.14%		2.14%			2.05%	
2. Past Service Cost	<u>10.73%</u>		<u>16.33%</u>			<u>1.07%</u>	
3. Total: (1) + (2)	12.87%	\$ 157,520,000	18.47%	\$ 224,169,000	\$ 381,689,000	3.12%	\$ 23,777,000
DB Healthcare Plan							
4. Normal Cost	2.50%		2.50%			2.41%	
5. Past Service Cost	<u>0.00%</u>		<u>0.00%</u>			<u>0.00%</u>	
6. Total: (4) + (5)	2.50%	30,598,000	2.50%	30,342,000	60,940,000	2.41%	18,366,000
7. DCR Plan	<u>6.63%</u>	81,146,000	<u>6.63%</u>	80,468,000	161,614,000	<u>7.03%</u>	53,575,000
8. Total: (3) + (6) + (7)	22.00%	\$ 269,264,000	27.60%	\$ 334,979,000	\$ 604,243,000	12.56%	\$ 95,718,000
Additional State Contributions to DB							
9. DB Pension Plan	5.60%	\$ 68,540,000	0.00%	\$ 0	\$ 68,540,000	15.37%	\$ 117,132,000
10. DB Healthcare Plan	<u>0.00%</u>	0	<u>0.00%</u>	0	0	<u>0.00%</u>	0
11. Total: (9) + (10)	5.60%	\$ 68,540,000	0.00%	\$ 0	\$ 68,540,000	15.37%	\$ 117,132,000
Total DB							
12. DB Pension Plan: (3) + (9)	18.47%	\$ 226,060,000	18.47%	\$ 224,169,000	\$ 450,229,000	18.49%	\$ 140,909,000
13. DB Healthcare Plan: (6) + (10)	<u>2.50%</u>	30,598,000	<u>2.50%</u>	30,342,000	60,940,000	<u>2.41%</u>	18,366,000
14. Total: (12) + (13)	20.97%	\$ 256,658,000	20.97%	\$ 254,511,000	\$ 511,169,000	20.90%	\$ 159,275,000
Total DB and DCR: (7) + (14)	27.60%	\$ 337,804,000	27.60%	\$ 334,979,000	\$ 672,783,000	27.93%	\$ 212,850,000

Notes:

- Projected FY24 payroll is based on the June 30, 2021 valuation projections assuming 0% population growth.
- Additional State Contributions for FY23 were assumed to be made 100% to pension.
- All contribution rates are expressed as a percentage of total payroll of DB and DCR combined.
- FY22 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on preliminary June 30, 2022 asset statements provided by the State. FY23 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on the June 30, 2021 valuation projections assuming 0% population growth. Investment gains and losses are recognized over 5 years beginning June 30, 2014.
- Total contribution rates for pension and healthcare are not less than the Normal Cost rates.
- For PERS under SB 55, payroll for the State's PERS employees was assumed to be 49.79% of total PERS payroll based on the June 30, 2021 valuation data.
- Data, plan provisions, assumptions, and methods are as described in the June 30, 2021 actuarial valuation reports, except as noted above.

Exhibit 2

State of Alaska Allocation of Projected FY24 Employer and Additional State Contributions

Based on June 30, 2021 Valuations
with Liabilities Rolled Forward Two Years and
Assets Rolled Forward One Year and Smoothed

Portion of FY24 Healthcare Normal Cost Contributed to Healthcare Trust: 0%

	PERS					TRS	
	Non-State Employers		State as an Employer		All Employers		
Projected FY24 DB Payroll	\$ 357,303,000		\$ 354,314,000		\$ 711,617,000	\$ 270,617,000	
Projected FY24 DCR Payroll	866,626,000		859,376,000		1,726,002,000	491,467,000	
Projected FY24 Total Payroll	<u>\$ 1,223,929,000</u>		<u>\$ 1,213,690,000</u>		<u>\$ 2,437,619,000</u>	<u>\$ 762,084,000</u>	
	Percent of Total Payroll	Estimated Dollar Amount	Percent of Total Payroll	Estimated Dollar Amount	Estimated Dollar Amount	Percent of Total Payroll	Estimated Dollar Amount
Employer Contributions							
DB Pension Plan							
1. Normal Cost	2.14%		2.14%			2.05%	
2. Past Service Cost	<u>13.23%</u>		<u>16.33%</u>			<u>3.48%</u>	
3. Total: (1) + (2)	15.37%	\$ 188,118,000	18.47%	\$ 224,169,000	\$ 412,287,000	5.53%	\$ 42,143,000
DB Healthcare Plan							
4. Normal Cost	0.00%		0.00%			0.00%	
5. Past Service Cost	<u>0.00%</u>		<u>0.00%</u>			<u>0.00%</u>	
6. Total: (4) + (5)	0.00%	0	0.00%	0	0	0.00%	0
7. DCR Plan	<u>6.63%</u>	81,146,000	<u>6.63%</u>	80,468,000	161,614,000	<u>7.03%</u>	53,575,000
8. Total: (3) + (6) + (7)	22.00%	\$ 269,264,000	25.10%	\$ 304,637,000	\$ 573,901,000	12.56%	\$ 95,718,000
Additional State Contributions to DB							
9. DB Pension Plan	3.10%	\$ 37,942,000	0.00%	\$ 0	\$ 37,942,000	12.96%	\$ 98,766,000
10. DB Healthcare Plan	<u>0.00%</u>	0	<u>0.00%</u>	0	0	<u>0.00%</u>	0
11. Total: (9) + (10)	3.10%	\$ 37,942,000	0.00%	\$ 0	\$ 37,942,000	12.96%	\$ 98,766,000
Total DB							
12. DB Pension Plan: (3) + (9)	18.47%	\$ 226,060,000	18.47%	\$ 224,169,000	\$ 450,229,000	18.49%	\$ 140,909,000
13. DB Healthcare Plan: (6) + (10)	<u>0.00%</u>	0	<u>0.00%</u>	0	0	<u>0.00%</u>	0
14. Total: (12) + (13)	18.47%	\$ 226,060,000	18.47%	\$ 224,169,000	\$ 450,229,000	18.49%	\$ 140,909,000
Total DB and DCR: (7) + (14)	25.10%	\$ 307,206,000	25.10%	\$ 304,637,000	\$ 611,843,000	25.52%	\$ 194,484,000

Notes:

- Projected FY24 payroll is based on the June 30, 2021 valuation projections assuming 0% population growth.
- Additional State Contributions for FY23 were assumed to be made 100% to pension.
- All contribution rates are expressed as a percentage of total payroll of DB and DCR combined.
- FY22 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on preliminary June 30, 2022 asset statements provided by the State. FY23 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on the June 30, 2021 valuation projections assuming 0% population growth. Investment gains and losses are recognized over 5 years beginning June 30, 2014.
- Total contribution rates for pension and healthcare are not less than the Normal Cost rates.
- For PERS under SB 55, payroll for the State's PERS employees was assumed to be 49.79% of total PERS payroll based on the June 30, 2021 valuation data.
- Healthcare past service rates are allowed to reduce the total Healthcare rates to zero. The Pension past service rates are adjusted to keep the total contribution rates at 22% (PERS non-State employers) and 12.56% (TRS).
- Data, plan provisions, assumptions, and methods are as described in the June 30, 2021 actuarial valuation reports, except as noted above.

Exhibit 3

State of Alaska Allocation of Projected FY24 Employer and Additional State Contributions

Based on June 30, 2021 Valuations
with Liabilities Rolled Forward Two Years and
Assets Rolled Forward One Year and Smoothed

Portion of FY24 Healthcare Normal Cost Contributed to Healthcare Trust: 50%

	PERS					TRS	
	Non-State Employers		State as an Employer		All Employers	Percent of Total Payroll	Estimated Dollar Amount
Projected FY24 DB Payroll		\$ 357,303,000		\$ 354,314,000	\$ 711,617,000		
Projected FY24 DCR Payroll		866,626,000		859,376,000	1,726,002,000		491,467,000
Projected FY24 Total Payroll		<u>\$ 1,223,929,000</u>		<u>\$ 1,213,690,000</u>	<u>\$ 2,437,619,000</u>		<u>\$ 762,084,000</u>
	Percent of Total Payroll	Estimated Dollar Amount	Percent of Total Payroll	Estimated Dollar Amount	Estimated Dollar Amount		
Employer Contributions							
DB Pension Plan							
1. Normal Cost	2.14%		2.14%			2.05%	
2. Past Service Cost	<u>11.98%</u>		<u>16.33%</u>			<u>2.27%</u>	
3. Total: (1) + (2)	14.12%	\$ 172,819,000	18.47%	\$ 224,169,000	\$ 396,988,000	4.32%	\$ 32,922,000
DB Healthcare Plan							
4. Normal Cost	1.25%		1.25%			1.21%	
5. Past Service Cost	<u>0.00%</u>		<u>0.00%</u>			<u>0.00%</u>	
6. Total: (4) + (5)	1.25%	15,299,000	1.25%	15,171,000	30,470,000	1.21%	9,221,000
7. DCR Plan	<u>6.63%</u>	<u>81,146,000</u>	<u>6.63%</u>	<u>80,468,000</u>	<u>161,614,000</u>	<u>7.03%</u>	<u>53,575,000</u>
8. Total: (3) + (6) + (7)	22.00%	\$ 269,264,000	26.35%	\$ 319,808,000	\$ 589,072,000	12.56%	\$ 95,718,000
Additional State Contributions to DB							
9. DB Pension Plan	4.35%	\$ 53,241,000	0.00%	\$ 0	\$ 53,241,000	14.17%	\$ 107,987,000
10. DB Healthcare Plan	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>
11. Total: (9) + (10)	4.35%	\$ 53,241,000	0.00%	\$ 0	\$ 53,241,000	14.17%	\$ 107,987,000
Total DB							
12. DB Pension Plan: (3) + (9)	18.47%	\$ 226,060,000	18.47%	\$ 224,169,000	\$ 450,229,000	18.49%	\$ 140,909,000
13. DB Healthcare Plan: (6) + (10)	<u>1.25%</u>	<u>15,299,000</u>	<u>1.25%</u>	<u>15,171,000</u>	<u>30,470,000</u>	<u>1.21%</u>	<u>9,221,000</u>
14. Total: (12) + (13)	19.72%	\$ 241,359,000	19.72%	\$ 239,340,000	\$ 480,699,000	19.70%	\$ 150,130,000
Total DB and DCR: (7) + (14)	26.35%	\$ 322,505,000	26.35%	\$ 319,808,000	\$ 642,313,000	26.73%	\$ 203,705,000

Notes:

1. Projected FY24 payroll is based on the June 30, 2021 valuation projections assuming 0% population growth.
2. Additional State Contributions for FY23 were assumed to be made 100% to pension.
3. All contribution rates are expressed as a percentage of total payroll of DB and DCR combined.
4. FY22 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on preliminary June 30, 2022 asset statements provided by the State. FY23 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on the June 30, 2021 valuation projections assuming 0% population growth. Investment gains and losses are recognized over 5 years beginning June 30, 2014.
5. Total contribution rates for pension and healthcare are not less than the Normal Cost rates.
6. For PERS under SB 55, payroll for the State's PERS employees was assumed to be 49.79% of total PERS payroll based on the June 30, 2021 valuation data.
7. Healthcare past service rates are allowed to reduce the total Healthcare rates by half. The Pension past service rates are adjusted to keep the total contribution rates at 22% (PERS non-State employers) and 12.56% (TRS).
8. Data, plan provisions, assumptions, and methods are as described in the June 30, 2021 actuarial valuation reports, except as noted above.

The following version of Resolution 2022-07 reflects **Exhibit 1** - 100% of the FY24 healthcare Normal Cost is assumed to be deposited to the healthcare trust.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to the Fiscal Year 2024 Employer Contribution Rate
For the Teachers' Retirement System

Resolution 2022-07

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, AS 37.10.220(a)(8) requires the Board to coordinate with the retirement system administrator to conduct an annual actuarial valuation of each retirement system to determine system assets, accrued liabilities and funding ratios, and to certify to the appropriate budgetary authority of each employer in the system an appropriate contribution rate for normal costs and an appropriate contribution rate for liquidating any past service liability determined by a level percent of pay method based on amortization of the past service liability for a closed term of 25 years; and

WHEREAS, AS 14.25.070 establishes a statutory employer contribution rate of 12.56 percent and AS 14.25.085 requires additional state contribution to make up the difference between 12.56 percent and the actuarially determined contribution rate; and

WHEREAS, the Buck schedule dated September 1, 2022 determines that the actuarially determined contribution rate for pension benefits is 18.49 percent composed of the normal cost rate of 2.05 percent and past service rate of 16.44 percent; and

WHEREAS, the Buck schedule dated September 1, 2022 determines that the actuarially determined contribution rate for postemployment healthcare benefits is 2.41 percent composed of the normal cost rate of 2.41 percent and past service rate of negative 9.08 percent; and

WHEREAS, the Buck schedule dated September 1, 2022 presents the employer rate incorporating the total cost of the Defined Contribution Retirement Plan of 7.03 percent;

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that the Fiscal Year 2024 actuarially determined contribution rate attributable to employers participating in the Teachers' Retirement System is set at 27.93 percent, composed of the contribution rate for defined benefit pension of 18.49 percent, the contribution rate for postemployment healthcare of 2.41 percent, and the contribution rate for defined contribution pension of 7.03 percent.

DATED at Anchorage, Alaska this 15th day of September, 2022.

Chair

ATTEST:

Secretary

The following version of Resolution 2022-07 reflects **Exhibit 2 - 0%** of the FY24 healthcare Normal Cost is assumed to be deposited to the healthcare trust.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to the Fiscal Year 2024 Employer Contribution Rate
For the Teachers' Retirement System

Resolution 2022-07

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, AS 37.10.220(a)(8) requires the Board to coordinate with the retirement system administrator to conduct an annual actuarial valuation of each retirement system to determine system assets, accrued liabilities and funding ratios, and to certify to the appropriate budgetary authority of each employer in the system an appropriate contribution rate for normal costs and an appropriate contribution rate for liquidating any past service liability determined by a level percent of pay method based on amortization of the past service liability for a closed term of 25 years; and

WHEREAS, AS 14.25.070 establishes a statutory employer contribution rate of 12.56 percent and AS 14.25.085 requires additional state contribution to make up the difference between 12.56 percent and the actuarially determined contribution rate; and

WHEREAS, the Buck schedule dated September 1, 2022 determines that the actuarially determined contribution rate for pension benefits is 18.49 percent composed of the normal cost rate of 2.05 percent and past service rate of 16.44 percent; and

WHEREAS, the Buck schedule dated September 1, 2022 determines that the actuarially determined contribution rate for postemployment healthcare benefits is 2.41 percent composed of the normal cost rate of 2.41 percent and past service rate of negative 9.08 percent; and

WHEREAS, due to the funded status of the postemployment healthcare trust, the Board has the authority under AS 37.10.220(a)(8) to adopt a rate that is appropriate, and the Board has determined that the appropriate contribution rate for the postemployment healthcare benefits is 0.00 percent; and

WHEREAS, the Buck schedule dated September 1, 2022 presents the employer rate incorporating the total cost of the Defined Contribution Retirement Plan of 7.03 percent;

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that the Fiscal Year 2024 actuarially determined contribution rate attributable to employers participating in the Teachers' Retirement System is set at 25.52 percent, composed of the contribution rate for defined benefit pension of 18.49 percent, the contribution rate for postemployment healthcare of 0.00 percent, and the contribution rate for defined contribution pension of 7.03 percent.

DATED at Anchorage, Alaska this 15th day of September, 2022.

Chair

ATTEST:

Secretary

The following version of Resolution 2022-07 reflects **Exhibit 3** - 50% of the FY24 healthcare Normal Cost is assumed to be deposited to the healthcare trust.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to the Fiscal Year 2024 Employer Contribution Rate
For the Teachers' Retirement System

Resolution 2022-07

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, AS 37.10.220(a)(8) requires the Board to coordinate with the retirement system administrator to conduct an annual actuarial valuation of each retirement system to determine system assets, accrued liabilities and funding ratios, and to certify to the appropriate budgetary authority of each employer in the system an appropriate contribution rate for normal costs and an appropriate contribution rate for liquidating any past service liability determined by a level percent of pay method based on amortization of the past service liability for a closed term of 25 years; and

WHEREAS, AS 14.25.070 establishes a statutory employer contribution rate of 12.56 percent and AS 14.25.085 requires additional state contribution to make up the difference between 12.56 percent and the actuarially determined contribution rate; and

WHEREAS, the Buck schedule dated September 1, 2022 determines that the actuarially determined contribution rate for pension benefits is 18.49 percent composed of the normal cost rate of 2.05 percent and past service rate of 16.44 percent; and

WHEREAS, the Buck schedule dated September 1, 2022 determines that the actuarially determined contribution rate for postemployment healthcare benefits is 2.41 percent composed of the normal cost rate of 2.41 percent and past service rate of negative 9.08 percent; and

WHEREAS, due to the funded status of the postemployment healthcare trust, the Board has the authority under AS 37.10.220(a)(8) to adopt a rate that is appropriate, and the Board has determined that the appropriate contribution rate for the postemployment healthcare benefits is 1.21 percent; and

WHEREAS, the Buck schedule dated September 1, 2022 presents the employer rate incorporating the total cost of the Defined Contribution Retirement Plan of 7.03 percent;

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that the Fiscal Year 2024 actuarially determined contribution rate attributable to employers participating in the Teachers' Retirement System is set at 26.73 percent, composed of the contribution rate for defined benefit pension of 18.49 percent, the contribution rate for postemployment healthcare of 1.21 percent, and the contribution rate for defined contribution pension of 7.03 percent.

DATED at Anchorage, Alaska this 15th day of September, 2022.

Chair

ATTEST:

Secretary

ALASKA RETIREMENT MANAGEMENT BOARD

Actuarial Committee

SUBJECT: FY 24 TRS Retiree Major Medical ACTION: X
and Occupational Death & Disability

DATE: September 14, 2022 INFORMATION: _____

BACKGROUND:

The Alaska Retirement Management Board (Board) establishes rates for the Teachers' Retirement System (TRS) Defined Contribution Retirement Plans for the following plans: 1) Retiree Major Medical Insurance and 2) Occupational Death & Disability under the following two sections in Alaska Statute:

Retiree Major Medical Insurance

AS 14.25.350 (b) requires that "An employer shall also contribute an amount equal to a percentage, as approved by the board, of each member's compensation from July 1 to the following June 30 to pay for retiree major medical insurance."

Occupational Death & Disability

AS 14.25.350 (e) requires that "An employer shall make annual contributions to a trust account in the plan, applied as a percentage of each member's compensation from July 1 to the following June 30, in an amount determined by the board to be actuarially required to fully fund the cost of providing occupational disability and occupational death benefits under AS 14.25.310 - 14.25.590."

STATUS:

The Division of Retirement & Benefits' actuary, Buck, has completed the actuarial valuation of the TRS Defined Contribution Retirement Plan as of June 30, 2021. The valuation has been reviewed by the Board's actuary, Gabriel, Roeder, Smith & Co. (GRS) and then certified and accepted by the Board.

According to the TRS Defined Contribution Retirement Plan actuarial valuation report, and confirmed by GRS, the Fiscal Year 2024 actuarially determined contribution rate attributable to employers for the Retiree Major Medical Insurance should be 0.82 percent and for the Occupational Death & Disability Benefit should be 0.08 percent.

RECOMMENDATION:

The Actuarial Committee recommends that the Alaska Retirement Management Board set Fiscal Year 2024 TRS Defined Contribution Retirement Plan Retiree Major Medical Insurance and Occupational Death & Disability Benefit rates as set out in the following resolutions:

1. Resolution 2022-08: Teachers' Defined Contribution Retirement Plan Retiree Major Medical Insurance Rate
2. Resolution 2022-09: Teachers' Defined Contribution Retirement Plan Occupational Death & Disability Benefit Rate

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to the Fiscal Year 2024 Employer Contribution Rate
For Teachers' Defined Contribution Retirement Plan
Retiree Major Medical Insurance Rate

Resolution 2022-08

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, AS 37.10.220 requires the Board to coordinate with the retirement system administrator to conduct an annual actuarial valuation of each retirement system to determine system assets, accrued liabilities and funding ratios; and

WHEREAS, AS 14.25.350(b) requires the Board to approve an amount equal to a percentage of each member's compensation from July 1 to the following June 30 to pay for retiree major medical insurance; and

WHEREAS, the June 30, 2021 TRS Defined Contribution actuarial valuation report determines that the actuarially determined contribution rate for retiree major medical insurance is 0.82 percent, which is the normal cost rate; and

WHEREAS, there is no past service liability as determined by the annual actuarial valuation of the TRS Defined Contribution retiree major medical insurance, so no contribution rate for liquidating past service liability is appropriate under AS 37.10.220(a)(8)(B);

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, the Fiscal Year 2024 employer contribution rate for the retiree major medical insurance for the Teachers' Defined Contribution Retirement Plan is set at 0.82 percent.

DATED at Anchorage, Alaska this 15th day of September, 2022.

Chair

ATTEST:

Secretary

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to the Fiscal Year 2024 Employer Contribution Rate For
Teachers' Defined Contribution Retirement Plan Occupational
Death & Disability Benefit Rate

Resolution 2022-09

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, AS 37.10.220 requires the Board to coordinate with the retirement system administrator to conduct an annual actuarial valuation of each retirement system to determine system assets, accrued liabilities and funding ratios; and

WHEREAS, AS 14.25.350 (e) requires the Board to determine an actuarially sound amount required to fully fund the cost of providing occupational disability and occupational death benefits under AS 14.25.310 – 14.25.590; and

WHEREAS, the June 30, 2021 TRS Defined Contribution actuarial valuation report determines that the actuarially determined contribution rate for occupational death & disability is 0.08 percent, which is the normal cost rate; and

WHEREAS, there is no past service liability as determined by the annual actuarial valuation of the TRS Defined Contribution occupational death & disability, so no contribution rate for liquidating past service liability is appropriate under AS 37.10.220(a)(8)(B);

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, the Fiscal Year 2024 employer contribution rate for teachers' occupational death and disability benefit rate is set at 0.08 percent for all Teachers' Defined Contribution Retirement Plan employees.

DATED at Anchorage, Alaska this 15th day of September, 2022.

Chair

ATTEST:

Secretary

ALASKA RETIREMENT MANAGEMENT BOARD

Actuarial Committee

SUBJECT: FY 24 Alaska National Guard and ACTION: X
Naval Militia Contribution Amount

DATE: September 14, 2022 INFORMATION: _____

BACKGROUND:

AS 26.05.226 requires that “(a) The Department of Military and Veterans’ Affairs (DMVA) shall contribute to the Alaska National Guard and Alaska Naval Militia retirement system the amounts determined by the Alaska Retirement Management Board as necessary to (1) fund the system based on the actuarial requirements of the system as established by the Alaska Retirement Management Board; and (2) administer the system. (b) The amount required for contributions from the Department of Military and Veterans' Affairs under (a) of this section shall be included in the annual appropriations made to the Department of Military and Veterans' Affairs.”

STATUS:

The Division of Retirement & Benefits’ (Division’s) actuary, Buck, has completed the roll-forward actuarial valuation of the Alaska National Guard and Naval Militia Retirement System (NGNMRS) as of June 30, 2021. The roll-forward actuarial valuation has been reviewed by the Alaska Retirement Management Board’s (Board’s) actuary, Gabriel, Roeder, Smith & Co. (GRS) and then certified and accepted by the Board.

According to the NGNMRS June 30, 2021 roll-forward actuarial valuation report, and confirmed by GRS, the Fiscal Year 2024 actuarially determined contribution amount should be \$0, consisting of the normal cost of \$503,140, past service cost of negative \$3,486,009, and administrative expense load of \$268,000.

RECOMMENDATION:

The Actuarial Committee recommends that the Alaska Retirement Management Board set the Fiscal Year 2024 NGNMRS annual contribution amount consistent with its fiduciary duty, as set out in the attached form of Resolution 2022-10.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to the Fiscal Year 2024 Contribution Amount
For the Alaska National Guard and Naval Militia Retirement System

Resolution 2022-10

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, AS 37.10.220(a)(8) requires the Board to coordinate with the retirement system administrator to conduct an annual actuarial valuation of each retirement system to determine system assets, accrued liabilities and funding ratios, and to certify to the appropriate budgetary authority of each employer in the system an appropriate contribution rate for normal costs and an appropriate contribution rate for liquidating any past service liability; and

WHEREAS, the June 30, 2021 Alaska National Guard and Naval Militia Retirement System roll-forward actuarial valuation report determines that the actuarially determined contribution amount is \$771,140, composed of the normal cost of \$503,140, past service cost amortization of (\$3,486,009) and administrative expense load of \$268,000; and

WHEREAS, due to the funded status of the pension trust, the Board has the authority under AS 37.10.220(a)(8) to adopt an amount that is appropriate, and the Board has determined that the appropriate contribution amount for the pension benefits is \$0; and

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that the Fiscal Year 2024 contribution amount for the State of Alaska, Department of Military and Veterans' Affairs to the Alaska National Guard and Naval Militia Retirement System is set at \$0.

DATED at Anchorage, Alaska this 15th day of September, 2022.

Chair

ATTEST:

Secretary

ALASKA RETIREMENT MANAGEMENT BOARD

Actuarial Committee

SUBJECT: FY 24 JRS Employer Contribution ACTION: _____
Rate

DATE: September 14, 2022 INFORMATION: X

BACKGROUND:

AS 22.25.046 states in part that:

(a) The state court system shall contribute to the judicial retirement system at the rate established by the commissioner of administration. The contribution rate shall be based on the results of an actuarial valuation of the judicial retirement system. The results of the actuarial valuation shall be based on actuarial methods and assumptions adopted by the commissioner of administration.

(b) The contribution rate shall be a percentage which, when applied to the covered compensation of all active members of the judicial retirement system, will generate sufficient money to support, along with contributions from members, the benefits of the judicial retirement system.

(c) Employer contributions shall be separately computed for benefits provided by AS 22.25.090 and shall be deposited in the Alaska retiree health care trust established under AS 39.30.097(a).”

STATUS:

The Division of Retirement & Benefits’ (Division’s) actuary, Buck, has completed the roll-forward actuarial valuation of the Alaska Judicial Retirement System (JRS) as of June 30, 2021. The roll-forward actuarial valuation has been reviewed by the Alaska Retirement Management Board’s (Board’s) actuary, Gabriel, Roeder, Smith & Co. (GRS) and then certified and accepted by the Board.

According to page 5 of the JRS roll-forward actuarial valuation report as of June 30, 2021, the recommended Fiscal Year 2024 employer contribution rate is 65.24 percent based on the following table:

	Pension	Post-employment Health Care	Total
Normal Cost Rate	38.99%	6.54%	45.53%
Past Service Cost Rate	19.71%	-9.33%	19.71%
Total Employer Contribution Rate	58.70%	6.54%	65.24%

The Alaska Legislature has established operating budget language that explicitly addresses JRS past service costs separate from the normal costs. Normal costs as a percentage are charged to the Alaska Court System’s operating budget and past service cost in dollars is funded separately in retirement section language like PERS and TRS.

The computed JRS Past Service Contribution amount is \$2,593,000 as shown on page 2 of the Buck letter dated September 1, 2022. The contribution amount should be reflected in the operating budget language section and should be deposited in the JRS pension benefit trust during FY 2024.



State of Alaska Retirement Systems

Presentation to ARMB Actuarial Committee
Legislative Changes

Steve Oates, ASA, EA, MAAA, FCA

September 14, 2022

Inflation Reduction Act of 2022 (IRA 2022) – EGWP

- IRA 2022 includes several significant changes to Medicare prescription drug coverage, some of which could impact Employer Group Waiver Plans (EGWPs)
- Beginning in 2023:
 - If the cost of prescription drugs increases by more than the rate of inflation, drug manufacturers will pay a rebate to Medicare for the amount of the increase over inflation
 - Part D beneficiaries will pay no more than \$35 per month for insulin
- Beginning in 2024:
 - Part D enrollees will no longer be responsible for 5% coinsurance in the catastrophic phase of coverage
- Beginning in 2025:
 - Part D beneficiaries will have a \$2,000 out-of-pocket (OOP) maximum on prescription drug cost sharing
- Beginning in 2026:
 - Medicare is required to negotiate the price of certain high-cost prescription drugs

Inflation Reduction Act of 2022 (IRA 2022) – EGWP

The \$2,000 OOP maximum and \$35 insulin cap could also impact EGWP designs. In addition, the legislation will shift costs to Part D plans (see table below), including EGWPs, by reducing the amount of the federal subsidies paid during the period after the OOP maximum is reached. Plan sponsors are encouraged to review the impact of the Act on their EGWP. Our preliminary understanding for catastrophic tier Rx cost-sharing is as follows:

Responsible Party	Pre IRA 2022 (before 2024)	Post IRA 2022 (2024)	Post IRA 2022 (after 2024)
Part D Enrollee	5%	0%	0%
Part D Plan	15%	20%	60%
Government	80%	80%	20%
Pharmacy Manufacturers	0%	0%	20%

Per Segal, EGWP subsidies of \$1,358 per capita were expected for CY2022, of which catastrophic reinsurance payments accounted for \$628 (46%). Under IRA 2022, catastrophic payments from external sources will be halved (from 80% to 40%) after 2024. Other changes could offset some of this lost subsidy.





State of Alaska Retirement Systems

Presentation to ARMB Actuarial Committee
Changes to Actuarial Standards of Practice

Tonya Manning, FSA, EA, MAAA, FCA
David Kershner, FSA, EA, MAAA, FCA

September 14, 2022

Low-Default Risk Measure Obligation

- Actuarial Standards of Practice (ASOPs) are professional guidelines that US actuaries must follow
- ASOP 4 – *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions* was revised in December 2021
- The most significant change made by the revision to ASOP 4 is the introduction of a new term: **Low-Default Risk Measure Obligation (LDRM)**
 - Affects pension liabilities only, not healthcare liabilities
 - Intended to illustrate what the pension liabilities would be if the plan's pension assets were invested entirely in low-risk assets
- Beginning with the June 30, 2023 valuations, each valuation report must include the LDRM amount and description

Low-Default Risk Measure Obligation (cont'd)

- Will **not** affect the liabilities or costs used to determine unfunded liabilities or contribution rates
- LDRM will be based on the same methods and assumptions that are used for funding purposes **except** for the interest rate
 - The LDRM interest rate must be derived from low-default-risk fixed income securities with cash flows that are reasonably consistent with the pattern of pension benefits expected to be paid from the plan
- Examples of the interest rate that can be used for LDRM purposes:
 - US Treasury yields
 - Rates implicit in the settlement of pension obligations
 - Yields on corporate or tax-exempt municipal bonds with rating of AA or higher

Low-Default Risk Measure Obligation (cont'd)

- Because of the lower interest rate mandated by ASOP 4, the LDRM is likely to be significantly **higher** than the pension liabilities used for funding purposes
 - For every 1% decline in the interest rate (e.g., from 7.25% to 6.25%), pension liabilities increase by approx. 11%
- Before we begin the June 30, 2023 valuations, we will identify an interest rate basis that we recommend be used to determine the LDRM for each plan
- We will work with DRB staff to confirm the LDRM interest rate basis and the description of LDRM to be added to the valuation reports



State of Alaska

Timeline for June 30, 2022 Valuations (PERS, TRS, PERS DCR, TRS DCR, JRS, NGNMRS)

Item #	Task	Original Deadline	Revised Deadline	Date Completed	Team Responsible	Comments / Notes
1	Enrollment data request to Aetna	7/15/22		7/14/22	Buck	
2	Valuation data request to DRB	7/15/22		7/15/22	Buck	
3	Monthly audit discussion with GRS / Buck	7/20/22	7/22/22	7/22/22	GRS / Buck	
4	Monthly audit discussion with GRS / Buck	8/17/22	8/19/22	not needed	GRS / Buck	
5	Preliminary 6/30/22 assets to Buck	8/30/22		8/31/22	DRB	These will be used only for the adoption of FY24 contribution rates.
6	Valuation data to Buck	9/2/22		9/6/22	DRB	
7	Send valuation data files received from DRB to GRS	9/6/22		9/6/22	Buck	
8	Actuarial Committee Meeting - FY24 contribution rates (based on 6/30/21 valuations)	9/14/22			All	Anchorage. Deadline for meeting materials is 8/26 (extended to 9/6 since assets not available until the end of August).
9	Audit data and sample lives request to Buck	9/16/22			GRS	
10	Monthly audit discussion with GRS / Buck	9/21/22			GRS / Buck	
11	Claims data request to Segal/DRB	9/23/22		9/6/22	Buck	Incurred claims through 6/30/22 that are paid through 8/31/22.
12	Data questions to DRB	9/23/22			Buck	
13	Data answers to Buck	10/7/22			DRB	
14	Final 6/30/22 assets to Buck	10/14/22			DRB	
15	Monthly audit discussion with GRS / Buck	10/19/22	10/21/22		GRS / Buck	
16	Claims data to Buck	10/21/22			Segal / DRB	Incurred claims through 6/30/22 that are paid through 8/31/22.
17	6/30/22 valuation data and DRB data questions to GRS	10/28/22			Buck	
18	Sample life information to GRS	11/11/22			Buck	
19	Monthly audit discussion with GRS / Buck	11/16/22			GRS / Buck	
20	Preliminary valuation results and PVB's by individual to GRS	11/18/22			Buck	
21	Actuarial Committee Meeting - 6/30/22 valuation results (preliminary)	11/30/22			All	Anchorage. Deadline for meeting materials is 11/11.
22	Monthly audit discussion with GRS / Buck	12/21/22			GRS / Buck	
23	Draft DCR valuation reports to GRS	1/6/23			Buck	
24	Monthly audit discussion with GRS / Buck	1/18/23	1/20/23		GRS / Buck	
25	Draft DB valuation reports to GRS	1/20/23			Buck	
26	Monthly audit discussion with GRS / Buck	2/15/23			GRS / Buck	
27	Draft actuarial review report to Buck	3/7/23			GRS	
28	Monthly audit discussion with GRS / Buck	3/15/23	3/8/23		GRS / Buck	
29	Actuarial Committee Meeting - 6/30/22 valuation results (full), projections, draft valuation reports	3/15/23			All	Juneau. Deadline for meeting materials is 2/24.
30	Monthly audit discussion with GRS / Buck	4/19/23			GRS / Buck	
31	ARMB Meeting - follow-up to March meeting (if needed)	April 2023 - TBD			All	Teleconference.
32	Monthly audit discussion with GRS / Buck	5/17/23			GRS / Buck	
33	Actuarial Committee Meeting - final valuation reports	6/14/23			All	Anchorage. Deadline for meeting materials is 5/26.

Note: All deadline and completion dates are specific to PERS and TRS.

Alaska Retirement Management Board

Actuarial Committee

Schedule of Remaining 2022 Meetings

November 30, 2022 (Anchorage/Videoconference)

1. Status Report/Discussion on Draft Actuarial Valuation and Second Actuary Review Process
2. Discussion of new trends and findings in actuarial matters
3. Committee Performance – Self Assessment
4. Education topic:

Periodic and As Needed Meeting Topics

1. Updates by DOA on actuary procurement.
2. Actuarial Committee training.

Alaska Retirement Management Board

Actuarial Committee Schedule of 2023 Meetings

March 15, 2023 (Juneau/ Videoconference)

1. Discuss Draft Review Actuary Report;
2. Review Draft Valuation Reports; requests or recommendations for edits or corrections
3. Review Audit Findings List; proposed resolution and recommendations
4. Optional Renewal for Actuary Contract (Buck) for FY24
4. Education Topic:

April TBD, 2023 (Videoconference)

1. *If necessary* – scheduled to follow up on discussion/findings/questions from March meeting

June 14, 2023 (Anchorage/ Videoconference)

1. Review and discussion of final review reports and valuations, including any items brought forward from March meeting
2. Action: Recommendations from committee to board for acceptance of review reports and valuations
3. Recommendation from committee to board for action on Audit Findings List
4. FY2023 valuation discussion
 - a. Valuation Timeline
 - b. Actuarial principles and underlying assumptions; any proposed new assumptions
 - c. Outstanding audit issues (Audit Findings List)
5. Committee Performance – Self Assessment
6. Education Topic:

September 13, 2023 (Anchorage/ Videoconference)

1. Review contribution rate resolutions/action memos for recommendation to Board
2. Status/Follow-up from previous meetings
3. Education Topic:

December 6, 2023 (Anchorage/ Videoconference)

1. Status Report/Discussion on Draft Actuarial Valuation and Second Actuary Review Process
2. Discussion of new trends and findings in actuarial matters
3. Committee Performance – Self Assessment
4. Education topic:

Periodic and As Needed Meeting Topics

1. Updates by DOA on actuary procurement.
2. Actuarial Committee training.

Alaska Retirement Management Board
CHARTER OF THE ACTUARIAL COMMITTEE

I. Actuarial Committee Purpose.

The Actuarial Committee (Committee) assists the Alaska Retirement Management Board (Board) in fulfilling the Board's function of independent oversight of the integrity of the Alaska Retirement Management Board's (Board) retirement systems' actuarial valuations, experience analyses, and other requested reports and analysis, including compliance with legal, accounting, and regulatory requirements. It also serves as a conduit of communication between the Actuary, the Review Actuary, the Audit Actuary, Department of Administration (DOA) and Department of Revenue (DOR) staff, and the Board.

The Committee has the authority to conduct any review appropriate to fulfilling its responsibilities and it has direct access to the independent actuaries, as well as DOR and DOA management and staff, and legal counsel. The Committee may recommend that the Board retain, at Board expense and consistent with applicable procurement requirements, special legal, accounting, or other consultants or experts it considers necessary in the performance of its duties.

II. Actuarial Committee Responsibilities and Duties.

A. The Committee shall assist the Board in carrying out the following responsibilities:

1. Coordinate with the retirement system administrator to have an annual actuarial valuation of each retirement system prepared to determine system assets, accrued liabilities, and funding ratios and to certify to the appropriate budgetary authority of each employer in the system (A) an appropriate contribution rate for normal costs; (B) an appropriate contribution rate for liquidating any past service liability; in this subparagraph, the appropriate contribution rate for liquidating the past service liability of the defined benefit retirement plan under AS 14.25.009 - 14.25.220 or the past service liability of the defined benefit retirement plan under AS 39.35.095 - 39.35.680 must be determined by a level percent of pay method based on amortization of the past service liability for a closed term of 25 years;

2. Review actuarial assumptions prepared and certified by a member of the American Academy of Actuaries and conduct experience analyses of the retirement systems not less than once every four years, except for health cost assumptions, which shall be reviewed annually; the results of all actuarial assumptions prepared under this paragraph shall be reviewed and certified by a second member of the American Academy of Actuaries before presentation to the board.

3. Review the annual actuarial valuations and any actuarial experience analysis prepared by the Actuary and the report prepared by the Review Actuary prior to presentation or distribution of any report.

4. Coordinate with staff to conduct an independent audit of the state's actuary not less than once every four years and review any audit report prepared by the Audit Actuary prior to presentation or distribution to the Board.

5. In consultation with management and the independent actuaries, consider the integrity of the actuarial reporting processes and controls, including the process for "closure" on the audit findings.

6. Review any significant changes to applicable actuarial principles and any items required to be communicated by the independent actuaries.

7. Review the independence and performance of the actuaries and periodically recommend to the Board the appointment of the independent actuaries or recommend approval of any discharge of actuaries when circumstances warrant.

8. Review, discuss and recommend for Board consideration any strategic issues related to the actuarial work.

9. Review and assess the adequacy of this Charter at least annually and submit recommended changes to it to the Board for approval.

10. Review and periodically perform self-assessment of the Committee's performance.

B. The Committee shall have the following responsibilities with respect to the ARMB's independent actuaries:

1. Schedule an annual pre-valuation entrance conference with the Actuary that includes DOA and DOR staff and the Review Actuary to discuss scope, staffing, locations, timeline, reliance upon management, and general approach to the annual valuation conducted for the retirement systems; and in the year that an actuarial experience analysis is conducted, schedule a similar entrance conference.

2. Discuss with management and the independent actuaries the actuarial principles and provide input as to the underlying assumptions and methods used in the preparation of the retirement systems' valuation reports and experience analyses to ensure the integrity of actuarial numbers used in preparation of accounting reports, compliance with GASB or other regulatory bodies, consistency with the actuarial policies of the plan, and alignment with the purpose of the reporting.

3. Review the Actuary's draft valuation and the Review Actuary's draft report (and the experience analysis and review when conducted); discuss the contents with the actuaries and monitor the follow-up on significant observations, findings, and recommendations.

4. Discuss with the independent actuaries the clarity and format of the presentations in appearances before the committee and the Board.

5. Meet with the actuaries, in the absence of management, to review findings, recommendations or other pertinent subjects.

6. Review Audit Actuary report (conducted every four years); discuss any significant findings with Actuary and management.

C. In addition to the foregoing, the Committee shall:

1. Perform such other activities consistent with this Charter, and governing law as the Committee considers necessary or appropriate or as the Board may otherwise request.

2. Maintain minutes of Committee meetings and periodically report to the Board on significant results of the Committee's activities.